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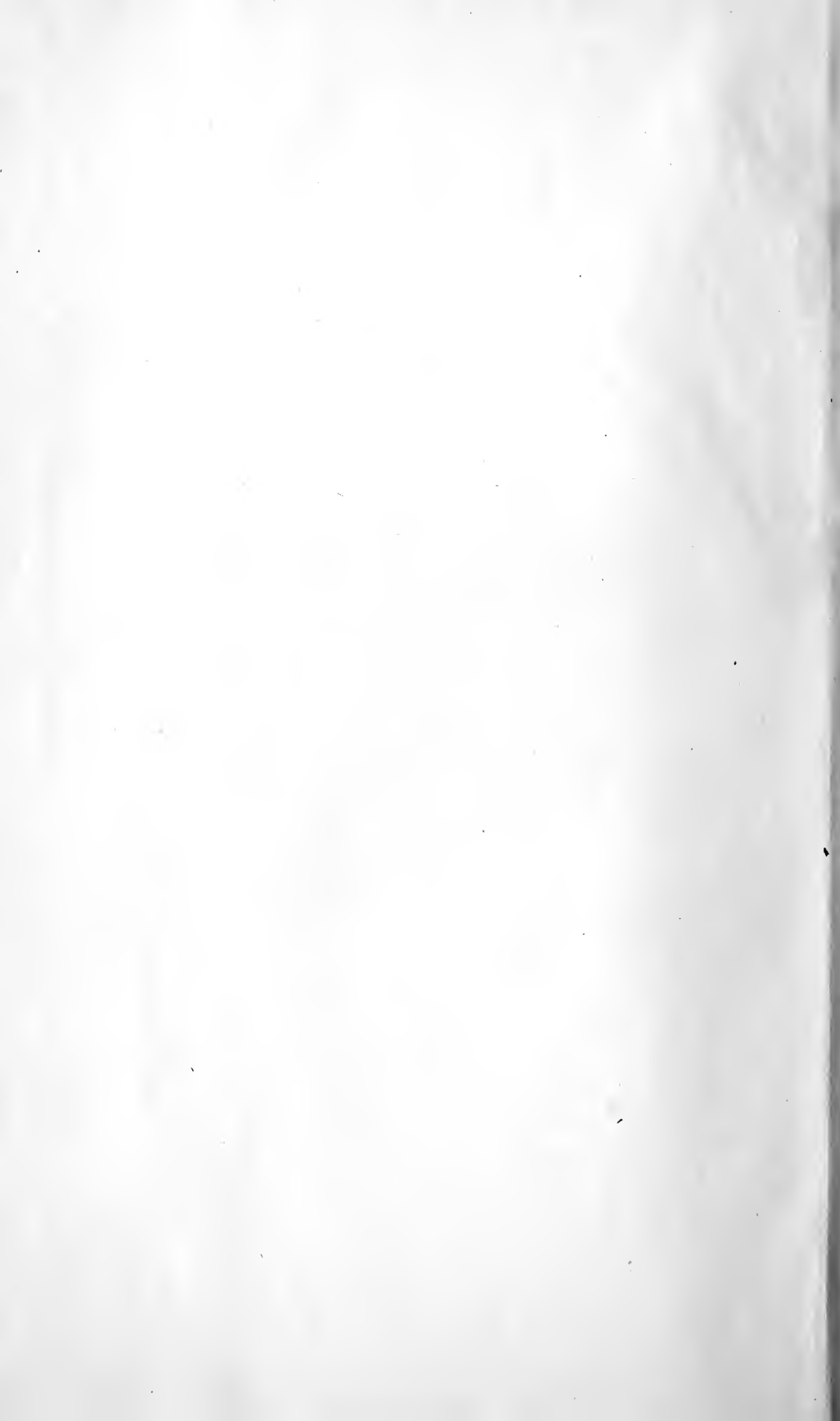
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# Calendar No. 1067.

61ST CONGRESS, }  
3d Session. }

SENATE.

{ REPORT  
No. 1242.

## POST OFFICE APPROPRIATION BILL.

143  
432

FEBRUARY 25, 1911.—Ordered to be printed.

*U. S. Cong. Senate*

Mr. OWEN, from the Committee on Post Offices and Post Roads, in his own behalf, submitted the following

### VIEWS.

[To accompany H. R. 31539.]

The attention of the Senate is called to the second clause, page 21; after the word "available" the committee has seen fit to favorably report the following amendment so as to read:

For inland transportation by railroad routes, fifty million ninety-two thousand two hundred dollars, of which the sum of one million one hundred and twenty-one thousand two hundred dollars shall be immediately available: *Provided, That out of the appropriation for inland mail transportation the Postmaster General is authorized hereafter to pay rental if necessary in Washington, District of Columbia, and compensation to tabulators and clerks employed in connection with the weighings for assistance in completing computations, in connection with the expenses of taking the weights of mails on railroad routes, as provided by law: And provided further, That during the fiscal year ending June thirtieth, nineteen hundred and twelve, the rate of postage on textual and general reading matter contained in periodical publications other than newspapers, as described in the Act of Congress approved March third, eighteen hundred and seventy-nine, entitled "An Act making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, eighteen hundred and eighty, and for other purposes," and in the publications described in an Act of Congress approved July sixteenth, eighteen hundred and ninety-four, entitled "An Act making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, eighteen hundred and ninety-five," shall be one cent per pound, or fraction thereof; and on sheets of any publication of either of said classes containing, in whole or part, any advertisement, whether display, descriptive, or textual, four cents per pound or fraction thereof: Provided, That the increased rate shall not apply to publications mailing less than four thousand pounds of each issue.*

Against this proposed amendment at the time in the committee I entered my protest and gave notice that I should reserve the right to oppose the same on the floor of the Senate.

This amendment proposes to increase the postage upon advertisements in certain periodicals from 1 cent to 4 cents.

First. This proposed amendment is in conflict with section 7, article 1, of the Constitution of the United States in this particular, that it proposes the raising of revenue, and thus invades a special prerogative of the House of Representatives under the Constitution. Section 7, article 1, of the Constitution provides that "all bills for raising revenue shall originate in the House of Representatives." This item proposes raising revenue and it can not be defended on any ground. The Senate has no right to originate an item for raising revenue and can not defend this matter on the pretense that it is amending a revenue bill, for this is not a revenue bill, and the proposed amendment is not an amendment of any proposal of the House of Representatives having for its object the raising of revenue.

On the contrary, this is a bill making appropriation of money and the proposed amendment is an amendment of an appropriation proposal.

The Senate on March 5, 1905, attempted this very proposition by an amendment changing the rate of postage on packages, etc. (Hinds' Precedents, sec. 1492, vol. 2, p. 956, 58th Cong., 3d sess., Record, 3733.)

The House refused to recognize the power of the Senate and refused to agree to the infringement of its prerogatives and the Senate receded.

The Senate has no constitutional right to invade the prerogatives of the House of Representatives and ought not to attempt to do so, and the House of Representatives ought not to permit it to be done. Gilfrey's Precedents, page 164, affords another precedent in which the House of Representatives refused to consider a bill to repeal the income tax, 1871, and returned the bill advising the Senate that the Constitution "vests in the House of Representatives the sole power to originate such measures." Gilfrey's Precedents cites a number of cases under the chapter "Bills; revenue," demonstrating that the House would not permit its prerogatives to be invaded in regard to originating revenue bills.

See Hinds' Precedents, page 942, volume 2, chapter 47. Here will be found many cases where the House has insisted upon its constitutional prerogatives. Over 120 precedents are cited relative to this question, in which the House has firmly maintained its constitutional right to originate revenue bills.

Second. The proposed amendment of the committee violates rule 16, subdivision 3, of the standing rules of the Senate, forbidding general legislation on any general appropriation bill.

The amendment objected to changes existing law.

The present rate of postage is 1 cent per pound on the periodicals of the second class under the act of March 3, 1879, as amended. This amendment proposes to change existing law to 4 cents per pound on advertising matter, and is thus obnoxious to the rule. The act of March 3, 1879, referred to in this amendment, in so far as it was an act making appropriations, ceased to be of any legal effect on June 30, 1880. The act of July 16, 1894, in like manner, ceased June 30, 1895. It can not be maintained that either of these acts still survive as appropriation acts. The present proposed amendment can not in any sense be called an appropriation. It is a revenue bill, confessedly so, having the avowed purpose of raising between five and six million dollars. The act of June 30, 1905, amending the act of July 16,



HE 6432  
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1894, gives publishers of the class of periodicals mentioned in that act the right to include therein advertisements. It will not do to plead that any previous violation by consent of a rule will authorize the violation of the rule over objection, more especially when the item objected to is both contrary to the rules of the Senate and contrary to the Constitution of the United States and open to successful attack in the courts.

The precedents showing that this item is a violation of rule 16, paragraph 3, will be found in Gilfrey's Precedents, page 107, where Mr. Stevenson sustained a point of order against Senator Hawley, who sought to amend the post-office appropriation bill by an item providing that the contract for postage stamps should be let to the lowest bidder, April 7, 1896. On May 13, 1878, the Senate, by a vote, sustained a point of order against an item of the post-office appropriation bill, providing for ocean mail steamship service. Seven other cases are cited by Gilfrey where such a point of order was sustained, either by the chair or by a vote of the Senate. (See also Gilfrey's Precedents, pp. 92-93.) Hinds' Precedents give over 100 instances sustaining the point of order, upon the ground that general legislation can not be put upon a general appropriation bill. The House of Representatives has a specific rule that no provision changing existing law shall be in order in any general appropriation bill or any amendment thereto. This item, therefore, if it should pass the Senate would be obnoxious to the House rules as well as to the Senate rules and the Constitution. (See Hinds' Precedents, 3810, 3811, 3812, 3813, and 3877.)

Third. The proposed amendment is not germane or relevant to the subject matter of the appropriation bill and is obnoxious therefore to rule 16, subdivision 3, of the Senate. (See Hinds' Precedents.)

Fourth. This proposal violates rule 16, subdivision 3, which provides, "Nor shall any amendment to any item or clause of such bill be received which does not directly relate thereto." It is obvious that the proposed amendment violates this rule, as a general law. Raising the postal rates on advertisements does not relate to the appropriation of money for inland transportation by railroad routes.

#### ON THE MERITS OF THE CASE.

Separate and apart from the fact that this proposed amendment violates the Constitution of the United States and the rules of the Senate, I regard such method of legislation as unwise, if not reprehensible, for the reason that in effect it is a denial of the right to be heard by those who are deeply interested in it. Over a year ago the periodical publishers affected desired to be heard in this matter, and were not given a proper hearing on this vital question. Indeed, they appear to have been left under the impression that nothing would be done in regard to the matter; or, at all events, they seem to have been under this impression. When the matter came before the House of Representatives and the committee having the matter in charge, no discussion of this matter took place. No report on it was made. No opportunity to be heard was afforded. Neither was the matter discussed on the floor of the House. When the post-office appropriation bill came to the Senate, no hearing was afforded, but at the last

minute, after the committee had practically concluded every item on the appropriation bill, this item was presented, not only giving the periodical publishers no opportunity to be heard, but giving the members of the committee no opportunity to study this matter and to digest it. I regard it as grossly unfair, and at the time in the committee I reserved the right to oppose this amendment on the floor of the Senate.

In the affairs affecting our own internal administration I am strongly opposed to any secrecy.

In my judgment, the claim made by the Post Office Department is erroneous on its face, for the obvious reason that it is conceded that these magazines are brought by express and distributed in Washington, D. C., over 250 miles from New York, at less than 1 cent a pound for cost of transportation and distribution.

Requiring the magazines to deliver the publications at a given date in New York, they could be sent by fast freight to central points throughout the country for localized distribution very economically. For example, a steel fast-freight car carrying 40 tons could be sent to Oklahoma City. Suppose that the car cost, for fast freight, \$400 to Oklahoma City. This would be a half a cent a pound for delivery in Oklahoma City, and it would cost less than 1 cent a pound to distribute within a radius of 250 miles. The Post Office Department declares that it costs 9 cents a pound. This is a mere juggling of figures.

I have no doubt that if a proper weighing of the mails was observed, and if the railways were to carry the mails at a reasonable rate, this distribution could be made at a cost approximately that which I have named, as illustrated by the cost of distribution in Washington City, which is an undisputed fact.

It is contended that the magazines are getting enormously rich, and would not be harmed by the increase in postal rate. I submit their answer, Exhibit A, to this proposal:

*EXHIBIT A.—Effect on the magazine business of an increased postal rate on magazine advertising.*

In "Printers' Ink," the leading trade journal of magazine advertising, is found a table giving the exact number of agate lines of advertising carried by 44 of the leading general magazines in 1909. These are listed in the order of the magnitude of their advertising contents.

We have selected the first five; that is, the five general monthly magazines carrying more advertising than any others in America, or the world, and, therefore, indubitably, as a group, the largest, most prominent, and most prosperous. The following figures would, of course, be vastly more impressive if the average for all the magazines were taken.

The publishers of these five magazines—Everybody's, McClure's, Cosmopolitan, the American, and the Review of Reviews—have taken from their books of account the exact figures of their gross and net advertising income for 1909, the sums paid the United States post office for carrying their advertising pages in 1909, and their entire net profits for that year, as sworn to in their reports to the Federal corporation tax commissioner.

The aggregate gross advertising incomes of these five magazines, leading the list of magazine advertising media, was in 1909— \$2, 463, 940. 39  
After deducting the expenses of securing and preparing advertising, the aggregate net receipts from that source was— 1, 204, 780. 16  
This is net income from the advertising department alone, with no account of income from subscription sales; so far, it looks very profitable.

But when we come to total the profits of the several properties, the final profit and loss balance of these five leading magazines of the world, we find the figure is----- \$230, 734. 57  
Thus, while the magazines received in 1909 for advertising space the sum of \$2, 463, 940. 39 and had a net income from that department of \$1, 204, 780. 16, the entire net profit of the five properties was only----- 230, 734. 57

The explanation of the small final balance of aggregate profits can be arrived at from further figures taken from the account books of these magazines: (a) The net average sum received for yearly subscriptions after expenses of getting the subscriptions and a proper proportion of general expense is apportioned; (b) the number of subscriptions mailed by the publisher during the year; (c) the cost of supplying these subscriptions.

From these figures it appears that the cost of supplying readers with 11,068,512 magazines—the total number mailed direct to subscribers by these five publishers during 1909—was \$1,387,189.80, while the net income from these subscribers was \$625,298.49, leaving a deficiency on subscription account of \$761,891.31, to be made up from advertising gains, before the balance of expenses was paid and any profit showed.

This shows clearly that nearly the entire apparent gain from advertising was used up in giving the readers a better-printed magazine on better paper, with more enterprising and careful editing, than could monthly be produced for the subscription prices paid by the readers, after the cost of finding the reader and handling his subscription was taken out. This disappearance of advertising gain in giving the public a better article is the economic explanation of the phenomenon of low-priced, handsome, and well-edited American magazines, read in every hamlet and factory town, mining camp, and western ranch, as well as the great cities. The publisher gets, as a final result of his investment and labor, as is shown here, less than one-tenth of the money paid to him for advertising. The public gets the rest in the shape of a better purchase than could be made but for the advertising content of the magazine.

Thus in 1909 these five magazines, leaders of the industry in America, cleared, in the aggregate, the sum of----- \$230, 734. 57  
On their advertising pages alone they paid, under the second-class pound rate----- 62, 926. 52

If the rate had been increased to 4 cents on all sheets on which advertising appeared, they would have paid \$188,779.56 more than was actually paid at the 1 cent a pound rate, or 81.8 per cent of their entire net income.

Moreover, the figures in this exhibit that refer to the postage paid by publishers and the resulting loss from increased postage do not begin to state the complete payments and losses of the publishers. They apply only to copies mailed by the publishers themselves on which accurate figures are obtainable. They take no account of the news-stand copies, mailed at the second-class rates by the news companies of the country. The news-stand edition, in the case of two of these five leading magazines, is larger than the editions mailed direct to subscribers.

These five magazines are, as has been explained, the leaders, the established properties, the largest carriers of advertising, and among the largest monthly magazine patrons of the United States mails.

The showing made of the effect on their business of even the smallest increase of postal rates on advertising matter is startling enough. It is not a matter of a corporation tax of 1 per cent on net incomes; the new tax on their income would be 81.8 per cent.

But the situation of individuals among even these five of the most prosperous magazines would be vastly more serious.

One of these five leading monthlies would be affected as follows:

With only 1 cent added to the postal rate on advertising, 62½ per cent of its net income would disappear. Only 2 cents additional rate on its advertising would wipe out its entire profits and leave it losing many thousand dollars a year. And there is no better known, more widely read, or high-toned magazine in the world.

A second individual in this group of the most prominent magazines would, with an increase of only 1 cent a pound on advertising, show in its final profit and loss account for 1909 a loss in conducting its business of \$18,405.52.

So much for the strongest of the magazines. For many of the publications lower down on the Printers' Ink list of the 44 chief magazine advertising periodicals, any appreciable increase of postal rate would amount to confiscation.

Furthermore, the amendment now in the Senate provides that the increased postage must be paid beginning July 1, 1911, at a time when the existing subscription contracts of the publishers are not half fulfilled.

Compare these effects on magazine properties of an increased postal rate on advertising with its effect on the Government's revenue (Exhibit B).

It is insisted that the post office would be greatly benefited by the proposed increase. I submit the answer of the periodical publishers, Exhibit B.

*EXHIBIT B.—What could the post office gain from the proposed postal increase on magazine advertising?*

It has been shown from the original books of account of the five most prominent magazines that the proposed measure charging 4 cents a pound postage on all sheets of magazines on which advertising is printed would tax these magazines, the most powerful group, best able to meet such a shock, nearly the whole of their entire net income. This means that the new postal rate could not be paid. There is not money enough in the magazine business to pay it. Magazines would simply be debarred from the United States mails.

But assume, for the sake of argument, that this would not be the case, and that the money could be found to pay the new postage bills, what, theoretically, would be the increased revenue of the Post Office Department, for the sake of which it is proposed to take more than all the profits of the industry that has been built up since 1879?

The Postmaster General, in his statement given to the Associated Press, and published in the newspapers Tuesday morning, February 14, claims that the proposed postal increase on periodicals advertising would amount to less than 1 cent flat on the weight of the whole periodicals. This is not the way the ambiguously worded amendment works out literally: but, accepting the Postmaster General's figures and applying them to the weights, given in his annual report, of the second-class mail classifications affected by the increase, let us pin the Post Office Department down to what it hopes to gain from a measure that would confiscate the earnings of an industry.

Mr. Hitchcock in his statement gives 800,000,000 pounds as the total weight of second-class matter. In his report for 1909 he gives the percentage of this weight of the classifications that could possibly be affected by this proposed increase as 20.23 per cent for magazines, 6.4 per cent for educational publications, 5.91 per cent for religious periodicals, 4.94 per cent for trade journals, and 5 per cent for agricultural periodicals, making 42.97 per cent altogether of the 800,000,000 pounds that might be affected by the proposed increase, or 343,760,000 pounds. Of course, this includes the periodicals publishing less than 4,000 pounds weight per issue, and exempted by the amendment.

But, making no deduction whatsoever for these exemptions, and none for the great expense of administering this complex measure, with its effect of conferring despotic power, certain to be disputed, the Postmaster General claims that this figures out only 1 cent increased revenue on 343,760,000 pounds, or a gross theoretical gain to the Post Office Department of \$3,437,600. These are the Postmaster General's figures, not the publishers'.

But from this figure of 343,760,000 pounds the Postmaster General would have to subtract the weight of all the periodicals exempted, and also subtract all the new expense involved for a large force of clerks.

There will also be a great increase of work for inspectors, as the proposed measure puts a premium on dishonesty. There will be constant temptation for unscrupulous people, who try to take the place of the present reputable publishers, to publish advertising in the guise of legitimate reading matter. There will be extra legal expenses for the disputes that arise between publishers and the Post Office Department over matters in which the publishers may believe the department is using the despotic power given by this measure to confiscate the property of publishers. In the hearings before the Weeks committee it was frankly admitted by members of the House Committee on Post Offices

and Post Roads that the Government post office service could never be run with the economy and efficiency of a private concern.

With all the expense of this new scheme subtracted from such a small possible gain as is claimed by Mr. Hitchcock, what revenue would remain to justify the wiping out of an industry built up in good faith through 32 years of an established fundamental post office rate?

If the department succeeded in saving \$2,000,000, after deducting the exempted publications and all the new expense involved for a great force of clerks, this would amount to less than 1 per cent of its revenues for 1910. It would amount to less than one-eighth of the post-office deficit in 1909. It would amount to less than one-fourteenth of the loss on rural free delivery alone in that year.

But even this gain would be only theoretical; for, as shown before (Exhibit A), many of the comparatively small group of periodicals left to be punished, after the favored ones were exempted, would find that it required more than all their income to pay their share of the new rate.

You can not take away from a person more than 100 per cent of all that he has—even from a publisher. It is not there.

These figures of increased revenue to the Government are based on the department's own statements. They are mathematically accurate.

They must not be interpreted, however, as measuring the extent of publishers' losses. They take no account of the increases, certain to follow the enactment of this legislation, in the rates of other lines of distribution from which the Government derives no revenue. They take no account of the loss in circulation volume that is certain to follow an attempt to raise the price of magazines to the public. They take no account of the loss in advertising revenue that is certain to follow a loss in circulation.

Neither are these figures a complete record of the effect on the Government revenue. They take no account of the certain destruction of publishing properties, and the consequent destruction of postal revenue on the profitable first-class matter their advertising once created.

#### POSTSCRIPT.

Since this calculation was made and a flood of telegrams from agricultural publications has come to Congress, the afternoon newspapers of Tuesday, February 14, reported that at a Cabinet meeting on that day it was decided by the Administration and announced by Postmaster General Hitchcock that agricultural periodicals will be exempted from the increased postal rate. The owners and other representatives of agricultural periodicals gathered in Washington to oppose the amendment to the post office appropriation bill at once left Washington for their homes. It was reported at the same time that the religious periodicals had also been assured that a paternal Administration would take care of them.

This leaves the situation in such shape that the Administration has at last gotten down to the comparatively small group of popular magazines.

These magazines proper, the Postmaster General says, constitute 20.23 per cent of second-class matter, or only 162,000,000 pounds, out of the 800,000,000 pounds of second-class mail.

As the Postmaster General says, as explained above, that the proposed increase would only mean 1 cent a pound more on the whole periodical, he could only figure out a theoretical gross gain of \$1,620,000. But his figures, are, as usual, all wrong.

From this \$1,620,000 that his figures come to, he would have to deduct, of course, the exempted periodicals and also all expenses of administering the proposed new measure.

The pretense of raising second-class rates to do away with the post-office deficit therefore disappears.

A few popular magazines are to be punished.

The absurdly unjust discrimination involved in the proposed increase of postal rates on certain subclasses of second-class mail, leaving the larger subclasses, more costly to the post office, untouched, has already been shown in Exhibit C.

But how about this new development, in which the Postmaster General apparently decides from day to day and hour to hour as to whether one class of periodicals or another shall be allowed to live or made to die?

Has there ever before been in America, or in Russia, or in China, a censor with this power? If the institutions of this country are to be so changed as to give

this despotic censorship to one man, ought that man to be the official in charge of the political machinery, as patronage broker, of the administration?

It is insisted by the Post Office Department that it is entirely just to increase the cost on advertisements in the magazines. I submit their answer, Exhibit C:

EXHIBIT C.—*The injustice of discriminating against magazines by increasing second-class postal rates.*

Why should the Administration have gone to a small 20 per cent portion of the second-class mail to increase postal rates? The Postmaster General gives the magazine weight as 20 per cent of the whole second-class mail, and newspapers as 55.73 per cent. Why leave out the largest classification entirely and concentrate all the new tax on a little 20 per cent classification, which in profit making and tax bearing capacity is vastly smaller than even the figures of 20 per cent and 55.73 per cent indicate?

The real reason why the Administration concentrated its fire on the magazines is well known.

But let us look at the reasons given by the Administration—given hurriedly and weakly, and almost absurdly easy to disprove.

Why are newspapers exempt and magazines punished to the point of confiscation?

The Administration says (a) magazines carry more advertising than newspapers; (b) they cost the Post Office Department more than newspapers, because they are hauled farther.

(a) It is not true that magazines carry more advertising than newspapers. By careful measuring the entire superficial area and the advertising contents, respectively, of each of 36 daily newspapers and each of 54 periodicals—the chief advertising mediums of the country—it is found that magazines averaged 34.4 per cent advertising, newspapers averaged 38.03 per cent advertising.

(b) The statement that magazines cost the Post Office Department more per pound than newspapers is easily susceptible of final disproof from the department's own figures—the most extreme figures it has been able to bring forward in its attempts to prove a case against the magazines.

The Post Office Department states that owing to the different average lengths of haul, it costs 5 cents to transport a pound of magazines and 2 cents to transport a pound of newspapers.

Admit that these figures, often repeated in the department's reports, are correct. Let us see how the final cost of service for a pound of magazines looks beside the final cost of service to a pound of newspapers.

Besides the cost of transporting mail, figured, of course, by weight and length of haul, there are three huge factors of cost, apportioned according to the number of pieces of mail—rural free delivery, railway-mail service, and post-office service (Post Office Department pamphlet, "Cost of transporting and hauling the several classes of mail matter," 1910).

#### TRANSPORTATION COST OF MAGAZINES AND NEWSPAPERS.

By weighing carefully the representative magazine, every copy of a year's issue of 64 leading magazines, and by weighing 60 different classes of newspapers, daily and Sunday, the postal committee of the Periodical Publishers' Association has found that the magazine weighs, on the average, 12.3 ounces and the newspaper 3.92 ounces.

The Postmaster General's report for 1909 furnishes the total pounds of second-class mail—764,801,370—and the proportion of newspapers and magazines in this weight—55.73 per cent and 20.23 per cent, respectively.

This gives 154,719,317 pounds of magazines in the mails and 426,223,803 pounds of newspapers.

The cost of transporting these, by the Post Office Department's figures, is 5 cents a pound for transporting magazines and 2 cents a pound for transporting newspapers, making \$7,735,965.85 for hauling magazines and \$8,524,476.06 for hauling newspapers.

#### THE HANDLING COST.

But the department says specifically, in the pamphlet referred to above, that the handling cost it apportions according to the number of pieces, in three classi-



fications of expense—the Railway Mail Service, Rural Free Delivery, and Post-office Service. The total cost of these items charged against second-class matter is (Postmaster General's report, 1909) \$39,818,583.86.

The total number of pieces of second-class mail handled was 3,695,594,448 (H. Doc. 910, "Weighing of the mails").

Newspapers, averaging 3.92 ounces each, and weighing in the mails altogether 426,223,803 pounds, furnished 1,740,000,000 pieces to handle (taking round millions, which would not affect the percentages), or 47.17 per cent of all second-class pieces.

The 154,719,317 pounds of magazines, weighing 12.3 ounces each, furnished 201,260,000 pieces to handle, or 5.44 per cent of all second-class pieces.

Figuring these piece percentages on \$39,818,583.86, the expense which the department says should be apportioned according to the number of pieces, and which it does so apportion, we have the handling cost on the 154,719,317 pounds of magazines \$2,166,139.96, or 1.4 cents per pound.

The newspaper-handling cost would be 55.73 per cent of \$39,818,583.86, or \$28,782,425.10, which, divided by the total of newspaper pounds, gives us the handling cost of a pound of newspapers 6.75 cents.

#### THE NET RESULT.

So, using the department's own figures and methods of figuring, we have the cost of hauling and handling magazines, 5 cents plus 1.4 cents, or 6.4 cents; the cost of hauling and handling newspapers, 2 cents plus 6.75 cents, or 8.75 cents.

This shows that without going into the miscellaneous expenditures at all, which would slightly further increase the cost of newspapers as compared with magazines, the department's own figures show that it is losing on the fundamental operations of hauling and handling 7.75 cents a pound on 426,223,803 pounds of newspapers, or \$33,032,844.73, as against losing 5.4 cents a pound on 154,719,317 pounds of magazines, or \$8,354,843.11.

With a loss, according to its own figures, over 400 per cent as great on newspapers as on magazines, the department goes to the magazines, of scarcely one-third the weight of newspapers, and with not one-twentieth the financial ability to pay such a new tax, to meet the whole burden of this futile and confiscatory attempt to reduce the deficit.

Furthermore, the advertising in magazines, which the department proposes to tax out of existence, is the very national mail-order advertising that produces the profitable revenue, as against the local announcements in the newspapers of the class of page department-store advertisements, etc., which do not call for answers through the mails under first-class postage (see Exhibit F).

And, still further, the modern newspaper of large circulation is more of a magazine, as distinguished from a paper chiefly devoted to disseminating news and intelligence and discussion of public affairs, than the modern magazine. Compare the "magazine sections" of the large newspapers (and most of the balance of their Sunday issues) with publications like the Review of Reviews, World's Work, Current Literature, Literary Digest, Collier's Weekly, or even with Everybody's, the American, the Cosmopolitan, McClure's, to see the obvious truth of this statement.

It has been suggested that the magazines could collect the additional cost imposed on them by raising the price on their magazines. The answer of the periodical publishers is herewith submitted, Exhibit D:

**EXHIBIT D.**—*Can the magazines "pass on" the expense of a postal increase?*

It has been shown (Exhibit A) from the original books of account of the chief magazine properties that the measure providing for a new postal rate of 4 cents a pound on all magazine sheets on which advertising is printed would wipe out the magazine industry—would require more money than the publishers make.

Could not the burden be passed on to advertisers or subscribers, or to both?

#### WHY ADVERTISERS WOULD NOT TAKE THE BURDEN.

Magazine advertisers buy space at so much a thousand circulation. The magazine is required to state its circulation and show that the rate charged per line is fair. Some advertisers go so far as to insist on contracts which provide that

if the circulation during the life of the contract falls below the guaranteed figures they will receive a pro rata rebate from the publisher.

In view of the small net profits of the industry—it is shown in Exhibit A that the combined final profits of the five leading standard magazines of America are less than one-tenth of their total advertising income—it is clear that the publisher must be trying always to get as large a rate as possible for the advertising space he sells, and it is absolutely true that he has already got this rate up to the very maximum the traffic will bear.

Advertisers would not think of paying more than they are now paying for the same service. Some of them would use circulars under the third-class postal rate, which the Postmaster General says is unprofitable to his department. Most advertisers would simply find this market for their wares gone, and the thousands of people—artists, clerks, traveling men—engaged in the business of magazine advertising would lose their means of livelihood.

There is no possible hope that the advertiser will pay the bill.

#### WOULD THE SUBSCRIBER PAY THE INCREASED POSTAL RATE?

The 4 cents a pound rate on advertising would require an advance of approximately 50 per cent in subscription prices if the publisher is to recoup himself by raising the cost of living to the public in its consumption of magazines.

Would the public pay 50 per cent more for the same article?

The question is answered eloquently and finally by the subscription records of the magazines that were forced to increase their rates on Canadian subscriptions when Canada enforced a 4-cent rate on American periodicals. As the discriminatory rate was later withdrawn in certain cases, we have a complete cycle of record and proof: First, the Canadian subscription list before the increase; second, the Canadian subscription list after the increased postal rate and increased subscription price to the Canadian public; third, the Canadian subscription list after the postal rate and the subscription price to the public had been restored to the original status.

#### HERE IS THE RECORD OF THE REVIEW OF REVIEWS.

In June, 1907, the Review of Reviews began to pay 4 cents a pound postage on Canadian subscriptions, instead of 1 cent, and was forced to raise its Canadian subscription price from \$3 to \$3.50 a year.

Its Canadian yearly subscribers in July, 1907, numbered 2,973.

At once the subscription list began to fall off, and continued to do so steadily until in January, 1910, it had come down to 904 names.

Early in 1910 the Review of Reviews was readmitted into the Canadian post office at 1 cent a pound, its subscription was reduced to the old figure of \$3, and the Canadian list quickly "came back," having reached already in February, 1911, the figure of 2,690 annual subscribers.

Below follows the detailed record, eloquent of what would happen if the prices of popular American magazines were increased 50 per cent to the public. In this Canadian incident the price of the Review of Reviews was increased only 16½ per cent and the circulation fell off 69 per cent.

#### REVIEW OF REVIEWS—CANADIAN SUBSCRIBERS.

|   |       |                      |       |
|---|-------|----------------------|-------|
| June, 1907, began to pay extra postage..... | 2,840 | November, 1908.....  | 1,381 |
| July, 1907.....                             | 2,973 | December, 1908.....  | 1,299 |
| August, 1907.....                           | 2,921 | January, 1909.....   | 1,095 |
| September, 1907.....                        | 2,875 | February, 1909.....  | 1,163 |
| October, 1907.....                          | 2,761 | March, 1909.....     | 1,263 |
| November, 1907.....                         | 2,604 | April, 1909.....     | 1,321 |
| December, 1907.....                         | 2,260 | May, 1909.....       | 1,355 |
| January, 1908.....                          | 1,536 | June, 1909.....      | 1,353 |
| February, 1908.....                         | 1,330 | July, 1909.....      | 1,369 |
| March, 1908.....                            | 1,170 | August, 1909.....    | 1,371 |
| April, 1908.....                            | 1,350 | September, 1909..... | 1,382 |
| May, 1908.....                              | 1,300 | October, 1909.....   | 1,237 |
| June, 1908.....                             | 1,363 | November, 1909.....  | 1,278 |
| July, 1908.....                             | 1,360 | December, 1909.....  | 1,227 |
| August, 1908.....                           | 1,407 | January, 1910.....   | 904   |
| September, 1908.....                        | 1,348 | February, 1910.....  | 974   |
| October, 1908.....                          | 1,357 | March, 1910.....     | 1,129 |
|   |       | February, 1911.....  | 2,690 |

Entered as second class in Canada starting with April.



I submit the reply of the periodical publishers, declaring that it would be ruinous to them to raise the rate in the matter proposed, Exhibit E:

EXHIBIT E.—*Must magazines be wiped out to reduce the post-office deficit?*

We point to the history of deficits in the Post Office Department since 1879, when the pound rate of payment was established for the second class of matter. The question at the head of this exhibit is answered by the successive changes in the size of the deficit, compared with coincident changes in the volume of second-class mail.

It will be seen that the largest percentage of deficit in the past 40 years occurred before the pound rate of 2 cents was, in 1879, established for second-class matter; that the percentage of deficit decreased with great rapidity as soon as second-class matter, under the stimulus of the new pound rate, began to increase rapidly; that this decrease in the deficit was accelerated after the second-class rate was lowered, in 1885, to the present rate of 1 cent a pound, and after second-class matter had increased beyond any figure hitherto dreamed of; that the decrease in percentage of deficit continued, coincidently with the increase in volume of second-class mail, until 1902, when large appropriations began for Rural Free Delivery Service, and then deficits began to grow as the specified loss on Rural Free Delivery grew; that in the last fiscal year, 1910, when the rural free delivery loss remained nearly stationary, as against 1909, the deficit decreased by approximately \$11,500,000, to the lowest percentage but one in 27 years, although in this same year second-class matter made the largest absolute gain ever known, amounting to 98,000,000 pounds more than in 1909.

We submit that so many coincidences, taken over a whole generation, and observed in relation to the enormous production of profitable first-class postage through magazine advertising, raise the strongest presumption that the larger the volume of second-class mail becomes the more fully the post-office plant is worked to its capacity, in carrying newspapers and periodicals and the first and third class mail their advertising engenders, and the smaller becomes the deficit, other things being equal. (See Exhibit F.)

The other thing that is not equal is the new expenditures, unprofitable in the post-office balance sheet, for rural free delivery. According to the Postmaster General's report there is in 1910 a surplus of over \$23,000,000 outside the specific loss on rural free delivery. A chief reason the Post Office Department has this \$29,000,000 to lose on rural free delivery is that periodical advertising and the enormous postal business it generates has long ago extinguished the deficit and given the huge surplus to spend for a beneficent but financially unprofitable purpose.

But one thing is proved beyond any shadow of doubt by this history of decreasing post-office deficits and coincident increases in second-class mail, and that is that the deficit can be reduced with an ever-increasing body of second-class mail, carried at 1 cent a pound. It can be because the record shows it was.

Below is a fuller history of post-office deficits and second-class increases:

#### THE FACTS AS TO DEFICITS AND SECOND-CLASS MATTER.

The annual reports of the Postmaster General are the authority for the following figures:

In the year 1870 there was a deficit in the operations of the United States Post Office Department of 21.4 per cent of its turnover.

In 1879 there was passed the act that put second-class matter on a pound-payment basis. An immediate increase in second-class matter began.

In 1880 there was a deficit in the post-office operations of only 9.6 per cent of its business.

In 1885 was passed the law that made the rate for second-class matter 1 cent a pound, which still further increased second-class mail. It trebled in the decade preceding 1890.

In 1890 the deficit in the operations of the Post Office Department was 8.8 per cent.

## THE POST OFFICE PROSPERS WITH SECOND-CLASS MAIL.

The next decade brought a much larger increase in second-class matter than any previous 10 years—from 174,053,910 pounds in 1890 to 382,538,999 pounds in 1900.

The deficit in the post-office operations in the year 1900 was 5.2 per cent of its business.

In the prosperous years following 1900 the increase of second-class matter was stupendous; from 382,538,999 pounds in 1900 to 488,246,903 pounds in 1902, only two years. The increase of advertising in the magazines was even greater than the increase in second-class matter. These years brought the great forward movement in the production of low-priced but well-edited magazines, made possible by large advertising incomes, and also in the increase in circulation by extensive combination book offers, and so-called "clubbing" arrangements, by which the subscriber could purchase three or more magazines together at a lower price than the aggregate of their list prices.

In 1901 there was a deficit in the post-office operations of only 3.5 per cent of its business.

In 1902 the deficit for the post-office operations was 2.4 per cent, the smallest percentage of deficit in 18 years and the smallest but two in 40 years.

## RURAL FREE DELIVERY STEPS IN.

But in this year is seen for the first time, in important proportions, a new item of expense, \$4,000,000 for rural free delivery. Our Government had wisely and beneficently extended the service of the post office to farmers in isolated communities, regardless of the expense of so doing. The report of the Postmaster General for 1902 says: "It will be seen that had it not been for the large expenditure on account of rural free delivery, the receipts would have exceeded the expenditures by upward of \$1,000,000."

It will be clear, from these figures, which are taken from the reports of the Postmaster General, that, beginning with the advent of the second-class pound-rate system, the deficit of the post office has steadily declined, the rate of decrease being always coincident with the expansion of circulation and advertising of periodicals, until in 1902 there was a substantial surplus, which the Government wisely saw fit to use for a purpose not related to the needs of magazines and periodicals or to their expansion.

## A REAL SURPLUS OF OVER \$74,000,000 IN EIGHT YEARS.

Since 1902 there has always been a surplus in the operations of the Post Office Department, outside of the money the Government has seen fit to expend for rural free delivery. In the present year, 1910, the report of the Postmaster General shows a surplus of over \$23,000,000 outside the loss on the rural free delivery service of \$29,000,000. The years 1902 to 1910 have each shown a surplus in the post-office profit and loss account, the nine years aggregating over \$74,000,000 outside the actual loss on the rural free delivery system.

How enormously second-class mail aids the department's finances by originating profitable first-class postage can be appreciated by referring to the specific examples in Exhibit F.

It should be borne in mind that the turning of large deficits into actual surpluses, which has come coincidentally with the expansion of second-class mail, of circulation pushing, and of advertising, has come in spite of an enormous expansion in governmental mail, carried free, and Congressional mail, franked, which has not been credited to the post office at all in calculating the actual surpluses shown above.

The value of the magazines in increasing the profitable business of the department is set forth by them and is herewith submitted. Exhibit F:

EXHIBIT F—*How magazine advertising reduces post-office deficits.*—The astonishing record contained in Exhibit D of the absolutely unvarying coincidence of decreases in post-office deficits with increases in second-class mail is square up against the Postmaster General's statements that the department loses 8.23 cents on every pound of second-class mail and loses over \$60,000,000 a year as a whole on second-class mail.

What is the explanation? How can the phenomenon of constantly decreasing deficits, coincident with increasing second-class mail, be reconciled? To be sure, the Postmaster General has been trying for two years to make out a case against the magazines, and nothing is better understood than that, under orders, he is using all the figures and the infinite opportunities of such a complex as bad as possible. Of course, it does not cost the department 9.23 cents a mass of figures as those of the post office, to make the case for the magazines pound for second-class matter; but also, of course, in all probability, the cost must be more than one-ninth Postmaster General Hitchcock's figures. Then why is it that the more second-class matter there is mailed the more money the Post Office Department has?

The answer is that the advertising in the periodicals, the very advertising the Administration is trying to drive out of existence, is far and away the most important creator of profitable first-class postage that exists. That, furthermore, the varied and constant efforts of publishers to extend the circulation of their periodicals by sending out tens of millions of circulars, each making for a 2-cent reply, and the great and complex business that has been built up around the originating and handling of advertising have made this national market for reputable wares—a market where the purchasing is done by mail with 2-cent stamps—the stamps that pay the Post Office Department's bills and give it \$22,000,000 a year to spend over and above receipts from rural free delivery, in advancing that splendid service for the country dweller.

There were published in 1909 in 50 American magazines 12,859,138 lines of advertising, from over 5,000 advertisers, who used over 25,000 different advertisements, and it is obviously impossible physically to tabulate complete results,

But let us nail down certain specific examples of advertisements inserted in magazines, and follow the record right through, of the work they did for the post office, the expense they put the post office to, and the profit they brought it.

These score or more of specific instances tell the whole story. Read, especially, the first instance—the complete bookkeeping transaction of one magazine advertisement in account with the United States post office:

#### A MAGAZINE ADVERTISEMENT IN ACCOUNT WITH THE UNITED STATES POST OFFICE,

In the Saturday Evening Post of November 26, 1910, was published a 224-line advertisement of the Review of Reviews.

Three thousand seven hundred replies were received, 1,776 of them inclosing each 10 cents in first-class postage.

The paper in which this advertisement was printed weighed 0.132815 ounce. The half of it printed with the advertisement weighed 0.06640625 ounce.

One million seventy thousand copies of the Saturday Evening Post were sent through the United States mails, so that the post office transported 4,440.9 pounds of this advertisement. At 9.23 cents per pound—the pound cost of transporting and handling second-class matter given by the Post Office Department—the total cost of giving the post-office services to this advertisement was \$409.90; postage paid at 1 cent a pound, \$44.41; loss to post office, \$365.49.

#### THE POST OFFICE'S GROSS AND NET GAIN FROM FIRST-CLASS POSTAGE CREATED.

|  |            |
|--|------------|
| 3,700 inquiries were received by the Review of Reviews.  |            |
| 3,700 2-cent stamps for inquiries.....   | \$74. 00   |
| 3,700 acknowledgments under 2-cent stamp.....  | 74. 00     |
| Six follow-ups to 3,700 inquiries under 2-cent stamps.....   | 444. 00    |
| 1,776 inquiries sent 10 cents in stamps.....   | 177. 60    |
| 740 sales are made, each involving 12 bills and 12 remittances, under 2-cent stamp.....  | 355. 00    |
| The 3,700 names of inquirers will be circulated at least three times a year for five years, under 2-cent stamps (a practical certainty of twice as many circularizations)..... | 1, 110. 00 |
| Total gross direct sales of 2-cent stamps from advertisement...  | 2, 234. 60 |
| Profit of 40 per cent, according to profit percentage of Postmaster General on first-class postage.....  | 893. 84    |
| Direct loss in transporting and handling advertisement, cost figured at 9.23 cents a pound, income at 1 cent.....  | 365. 49    |
| Ultimate minimum net gain to post office in having carried this advertisement.....   | 528. 35    |

MORE SPECIFIC EXAMPLES OF PROFITABLE POSTAGE ORIGINATED BY MAGAZINE  
ADVERTISING.

Names of concerns are withheld here. The original documents on which these statements rest are in the possession of the postal committee of the Periodical Publishers' Association, 156 Fifth Avenue, New York City. These are only a few samples of hundreds that have come, and are printed to suggest the details of the methods by which national magazine advertising far more than pays its way when sent out through America at 1 cent a pound second-class postal rate.

"Mr. E. W. HAZEN, *Advertising Director*.

"DEAR MR. HAZEN: During the year 1910 we paid the Post-Office Department for carrying our first, third, and fourth class mail matter the sum of \$496,749.88. We shipped during the year 1910, 1,717,514 packages. Of these 809,781 were sent by mail and 907,733 by express. All of these would have been sent by parcels post if the postal rates and regulations permitted. We paid the express companies for the transportation of the packages referred to above \$347,392.30."

The above statement covers only mail matter sent out of this house. The figures given are accurate. Any statement of the number of pieces of mail matter which we receive would be approximate, but we can safely state that it was in excess of 4,500,000 pieces of first-class mail matter. This estimate is entirely conservative.

Here is another postal bill of one of the many great "mail order" magazine advertisers—a company which sells excellent clothing to women who can not come to the great cities and their department stores. The president of the company writes:

"As we are a mail-order concern, our business is derived entirely, either directly or indirectly, from our magazine advertising. During the year 1909 we paid the Post-Office Department for carrying our first, third, and fourth class mail matter the sum of \$433,242."

What an advertisement in one issue of one magazine did for another women's "wearing apparel" house is recorded in their books as follows:

The postage required to answer the 15,000 replies from the one-column "insertion" in the magazine, also to send the merchandise required by 2,000 of the inquirers, also to "follow up" other inquirers, etc., amounted to \$5,460.

The Government charge for carrying this advertisement through the second-class mails was \$38.83.

That \$5,460, by the way, did not include the several hundred dollars spent on postage by the inquirers themselves.

The president of a concern which publishes encyclopedias, natural histories, classics, etc., investigated the relations with the post office of a recent page of his advertising inserted in a single magazine, and the correspondence which resulted.

The stamps and money orders bought by the inquirers and by the publishing company, as the result of the 4,000 answers to this one advertisement, amounted to \$884.

The publishers paid the post office to carry that page, at second-class rate, \$12.

Thus, even if it had not already been disproved that the second-class rate is insufficient, it would still have been mightily unfortunate for the department's business if that page advertisement had not appeared. A good business man would be willing to lose several times \$12 in order to do \$884 worth of business as profitable to himself as first-class mail is to the Government.

Scores of apparently small advertisers are found in any issue of any popular magazine. They are just as good customers to the post office, in proportion, as the big concerns using columns or pages.

ONE INCH—\$5,492 STAMPS A YEAR.

A modest 1-inch magazine advertisement is printed by a company, which reports that its yearly postage account from that cause is \$5,132. Adding the approximate postage on the 1,500 letters a month sent to the company, the yearly total of postage created by this inconspicuous concern through the magazine is found to be \$5,492.

## ONE-HALF INCH—\$590 A MONTH.

A half-inch magazine space is used each month by a certain electric manufacturing company in the Middle West; but its postage records show stamp purchases for a single month (November, 1909), resulting from that half-inch advertisement of \$590.

|   |            |
|---|------------|
| Two quarter-column announcements of a dress fabric, appealing to women, in a single magazine, brought 7,000 replies, involving postage stamps worth-----  | \$230. 00  |
| Pretty good business getters for the department, these "ads." Cost the publishers to mail, at second-class rates-----   | 19. 40     |
| Even better, in proportion, was a one-fifth-column appeal to mothers in one issue of the same magazine. It produced postage to the amount of-----   | 240. 00    |
| To carry the little advertisement at second-class rates the Government charged-----   | 7. 76      |
| A single-column magazine "ad" of a Chicago clothing firm, with a number of retail stores over the country, brought 4,000 inquiries, which, with the following up, etc., caused postage of-----  | 380. 00    |
| That column cost the publisher to mail, at second-class rates-----  | 38. 67     |
| The Woman's Home Companion sent a letter to the advertisers in its November issue, asking for a memorandum of the letter postage on the inquiries from their November advertising and the answers to these inquiries. Seventy-five advertisers reported, with definite figures, an aggregate letter-postage expenditure of----- | 3, 385. 90 |

The Woman's Home Companion paid the Government just \$583 for carrying that portion of the magazine on which these 75 advertisements were printed.

Any advertising man can point to hundreds of "mail-order firms" like the above. These firms can trace directly to their magazine advertising, every year, purchases of millions of dollars' worth of the stamps that make big profits for the post office.

It is even more surprising to learn the enormous postage bills caused by an entirely different class of magazine advertisers—the "general publicity," or "national" advertisers—who wish the reader to ask for their fine soaps, or mattresses, or silks, or stationery at his local store. These firms do not depend on direct replies, yet they receive so many that thousands of dollars are spent for stamps per year in scores of cases—even per month in many.

EVEN THE "GENERAL" OR "PUBLICITY" MAGAZINE ADVERTISING CREATES ENORMOUS STAMP SALES.

A moderate-priced shoe is sold through a number of retail stores in different cities. The manufacturers advertise in magazines for national "publicity," to bring buyers into these stores. Incidentally they mention their department to fill orders by mail. Thus an enormous correspondence has been built up, of which the average annual increase alone during the last three years has involved 264,000 first-class letters—a minimum postage of \$5,280. This is simply one yearly addition to the company's already first-class business, of which it writes that "all but a nominal percentage" has been "induced by our magazine advertisements."

More than \$15,000 was spent for postage by a mattress manufacturer last year "following up" inquiries received from his magazine advertising, though it is designed to create a demand for the mattress at local furniture stores.

This \$15,000 is over and above his steady correspondence with dealers, etc., which was built up in the first place by magazine advertising.

One of the many recent "contests" conducted by magazine advertisers was that of a stationery company. Theirs is also "publicity," not mail-order advertising. It is designed to create a demand for their paper over the stationery store counters. But their "contest" awhile ago, announced exclusively in the magazines, brought 59,000 replies, which, with follow-up, etc., averaged 12 cents first-class postage—a total of \$7,080 in one month.

Here is still another "publicity" experience. In the course of familiarizing women with a new trade-mark for silk by means of magazine advertising, the manufacturers incurred postage bills, during the first 11 months of 1909, amounting to \$7,979.75. About \$2,000 more ought to be added to represent the stamps purchased by the prospective silk-dress wearers themselves.

|  |           |
|--|-----------|
| Another "contest," held by a national advertiser, brought 12,089 replies from a single insertion in one magazine, to handle which postage stamps had to be bought for more than----- | \$600. 00 |
| The publishers paid to have that page carried through the mails, at second-class rates-----  | 97. 66    |
| A half page in one issue of another magazine brought 4,000 letters from inquirers, which, with "follow-up," etc., meant stamp purchases-----   | 200. 00   |
| The carriage of that half page at second-class rates was-----  | 25. 62    |

Magazine advertisements of a popular cold cream brought 170,000 letters to the manufacturers last year, though the controlling purpose of the campaign was to get the public to ask for that kind of cold cream at the drug stores.

Not including postal orders, special-delivery stamps, etc., the stamp revenue to the Government from these letters was \$8,500. And, of course, that does not include the profuse correspondence between the manufacturers, the jobbers, the drug stores all over the country, and so on.

|  |           |
|--|-----------|
| For another toilet preparation a single advertisement in a leading weekly magazine brought more than 13,000 replies. The stamps involved here add up to----- | \$990. 00 |
| The publishers paid the post office to carry this advertisement, at the second-class rate-----   | 48. 83    |

|   |         |
|---|---------|
| A household remedy, seen in most drug stores, was mentioned to the extent of one-quarter page in a single issue of one magazine. The requests for samples numbered 1.685. The postage involved was----- | 202. 20 |
|---|---------|

Another "drug store" preparation frequently brings the manufacturer 2,000 to 6,000 letters each month from their magazine advertising of it, though that is, of course, for "publicity," first of all. A single insertion last fall brought 12,000 inquiries, which created, first and last, the purchase of \$750 in stamps.

A system of physical culture for women put quarter pages in several magazines during the month of November, from which 3,905 letters were received. In this case the total postage, including follow-up and correspondence back and forth, was \$1,104.09 for that month of November alone.

Narrow limits would be expected in the demand for expensive silverage. Yet a silversmith's two advertisements in the November and December magazines brought 45,000 requests for catalogues. These had already involved by January 13, with the following up, etc., a postage bill of \$5,510.

Another big postage bill was also incurred, incidentally, by a company which uses magazine advertising to bring buyers into drug stores, etc., asking for certain shaving soaps and the like. Still their postage bill during 1909, as a result of inquiries from their advertising, was \$3,656.08. This does not include the stamps bought by the inquirers—probably \$1,000 more.

|   |           |
|---|-----------|
| A similar soap was described in a page advertisement which, printed in one magazine one time, brought more than 30,000 letters. First-class postage on them and the answers to them aggregated more than----- | \$900. 00 |
| The charge for carrying that page, at the second-class rate, was about-----   | 120. 00   |

#### THE LARGE STAMP PURCHASES OF ENTIRE BUSINESSES DEPEND ON MAGAZINE ADVERTISING.

All the above examples are of postage sales caused by magazine advertising directly, in point of time. Just as directly caused are the sales for correspondence between manufacturer, jobber, retailer, agent, etc., in the many businesses that have been built up by magazine advertising.

A camera company writes: "There is a magnificent revenue to the Government through our correspondence with these dealers, through their correspondence with their customers, and through their sending our printed matter, furnished by us, at a postage cost of \$100, and such dealer could not afford to go to this expense were it not for the fact that this local advertising which he does is backed up by our general magazine publicity."

This one result of magazine work is figured by the company at tens of thousands of dollars every year in postage.

The postage-stamp revenue created by magazine advertising keeps on for months, and years even, between the advertiser and the consumer, in cases like correspondence schools, for instance.

One prominent company writes that it not only spends \$429 per month in postage, answering inquiries which themselves account for about \$100 more, but



that it enrolls per month more than 2,200 new scholars—and every scholar, by the time he has received all his numerous “lessons,” etc., costs the school about \$3.50 more in postage. Thus each month creates about \$7,700 more in postage bills for this school, not counting nearly as much again which the scholars must spend.

“Our advertising,” writes a leading investment banker, “by reason of names being placed on our mailing list for circulation, etc., costs us several thousand dollars a year for postage, which would not be the case if we were not doing and had done no advertising.”

In fact, there would be little left of the department's profitable postage stamp sales were the big magazine houses crippled. The publishers are the largest buyers of lists of names used for circulation. To circularize these lists many millions of 2-cent stamps are bought every year.

“Our entire mail order book business,” writes a Western firm, “has been built up through magazine advertising. Last year our postal bill amounted to \$12,298.57. This was used on circular matter and letters. If the circulation of the magazines should be reduced, and it is our opinion that it would be if the postage rate should be increased, our postage bill would be reduced proportionately.”

#### THE PROFIT TO THE GOVERNMENT.

A magazine man thus outlines the different sources of stamp buying created by the magazine publisher: Copy from advertiser to publisher, proofs from publisher to advertiser, bills from publisher to advertiser, remittances from advertiser to publisher, answers from readers to advertisers, letters from advertisers to readers (sometimes three or four follow-up letters), orders from readers to advertisers (in many cases by postal money orders), mailing of goods from advertisers to readers, bills from publisher to subscriber, remittances from subscriber to publisher (in many cases by postal money order), letters soliciting subscriptions, premiums to subscribers, miscellaneous correspondence, etc.

I submit also the answer of the periodical publishers to Postmaster General Hitchcock's pamphlet *Periodical Publications Mailed as Second-Class Matter* (S. Doc. No. 820), in order that the Senate may not be unadvised with regard to the facts of the case. (Exhibit G.)

#### EXHIBIT G.—*An answer to Postmaster General Hitchcock's pamphlet Periodical Publications Mailed as Second-Class Matter* (S. Doc. No. 820.)

Postmaster General Hitchcock in describing the provisions of the Senate amendment increasing postal rates on magazine advertising says: (3d line, 2d par., p. 3) “This increase does not apply on newspapers.”

This leaves it to the Postmaster General to decide what is a newspaper. A monthly like the *Review of Reviews*, or a weekly like the *Literary Digest*, publishing no fiction, or anything but current news and information on public affairs, ought certainly to be considered as newspapers when compared with the great budget of very “popular stories,” comic supplements, and the whole “magazine” full of cheap fiction, art, and miscellany that make up the Sunday editions of the daily papers.

But the important point is that this Senate amendment to the appropriation bill would give the power of life and death over the periodicals to the Postmaster General, an administration official in charge of the political machinery of his administration. He could say, “this periodical is a newspaper, let it live; that periodical is not a newspaper, let it die,” as he desired or found expedient. There is no definition of a newspaper, as distinguished from another periodical, to govern the department. Mr. Overstreet and the department use the phrase in many of their official documents, “newspapers or other periodical publications.”

There will be no one to distinguish between a newspaper, which is itself a periodical, and the “periodicals” on which the postal increase is laid—except the Postmaster General. And the Postmaster General's decisions will be subject to reversal with changes of political administration. A Republican Postmaster General could let certain periodicals live. A Democratic Postmaster General could let other periodicals live.

As far as concerns the justness of separating what is ordinarily in the public mind known as a newspaper from the magazines and levying this increase on the magazines, Postmaster General Hitchcock gives reasons elsewhere: First, that magazines carry more advertising than newspapers; second, that it costs the department, on account of the difference in the length of haul, 5 cents to transport magazines and only 2 cents to transport newspapers.

First. Magazines do not carry more advertising than newspapers. By actual measurement it is found that newspapers carry about 4 per cent more advertising in proportion to reading matter than magazines.

Second. Accepting, for argument, Postmaster General Hitchcock's amazing figures of 5 cents a pound for transporting; that is, hauling, magazines, as against 2 cents for hauling newspapers, and looking at the other items of cost—the handling cost—it is found that newspapers, on account of the much greater number of pieces to the pound, cost the Post Office Department, on Postmaster General Hitchcock's own figures and by his own method of figuring and the apportionment methods described by him, 6.75 cents to handle, as against 1.4 cents to handle magazines. And yet the Postmaster General says magazines cost the department more than newspapers, citing only the one element of cost in which they may cost more, and entirely ignoring the larger element of cost, in which they certainly cost the department, according to his own methods of apportioning expenses, less than one-fifth as much as newspapers per pound.

When it is considered that, according to Postmaster General Hitchcock's figures, only 20.23 per cent of all second-class mail is made up of magazines, while 55.73 per cent of all second-class mail is made up of newspapers, the injustice of this singling out of the magazines for a higher postal rate will be still more obvious.

Postmaster General Hitchcock says in the third paragraph that the net effect of the proposed increased postal rate on advertising will be to "advance the postal rate for second-class matter as a whole about 1 cent, making the second-class rate 2 cents a pound instead of 1 cent, as at present. In view of the fact that it costs the Government about 9 cents a pound to handle and transport this class of mail the proposed increase is an exceedingly moderate one."

The Postmaster General can not have read the second-class rate amendment carefully. It provides that the 4-cent rate apply on all "sheets" of periodicals on which advertising is printed. This would mean, or at least the amendment says plainly and literally, that in the publications of the largest circulation, like the Saturday Evening Post, Collier's, Literary Digest, Ladies' Home Journal, Delineator, Woman's Home Companion, and others, the 4-cent rate would apply on practically the whole periodical; for there are few "sheets" in such publications on which advertising is not printed, and it would affect the whole business scheme of such publications to rearrange the format.

Again, in this quoted paragraph of Postmaster General Hitchcock, he says that the effect of an increase from 1 cent to 4 cents a pound on magazine advertising "would be to advance the postage rate for second-class matter as a whole about 1 cent, making the second-class rate 2 cents a pound, instead of 1 cent a pound, as at present."

This is an astounding error, as magazines constitute, according to Postmaster General Hitchcock, only 20.23 per cent of "second-class matter as a whole," and he figures here on the basis of magazines constituting 100 per cent of all second-class mail.

The last statement in this paragraph is that "it costs the Government about 9 cents a pound to handle and transport this class of mail." No one knows what the true cost is, and it would take months of investigation by expert accountants with full and free access to all the operations of the Post Office to find out the true cost even if there should be an adequate system of book-keeping installed. But the statement of the Postmaster General, often repeated, that the cost is 9.23 cents a pound, comes to be absurd when the fact is known that publishers of magazines with sufficient circulation to justify the system send their periodicals to Canada and distribute them there to subscribers at a total cost for transportation, handling, and delivery of less than 1 cent a pound, with a railroad haul of over 550 miles.

In the last paragraph on page 3 of the Postmaster General's statement he questions the truth of the publishers' statement that this proposed postal rate on advertising would drive many of the popular magazines out of existence. He questions the truth of this statement of the publishers about their own business on the ground of the "tremendous profits from the vast amount of high-priced advertising they carry."



From actual figures of the net profits of the five popular standard magazines carrying the largest amount of advertising in 1909—Everybody's, McClure's Review of Reviews, Cosmopolitan, American, figures of net profits sworn to and on record in the Department of Commerce and Labor—it is found that the proposed increase would absorb 81.8 per cent of the net income of their properties. These are the five standard magazines carrying the most advertising. How about the average magazine? How about the struggling magazine, if the five "leaders" in advertising patronage would lose 81.8 per cent of their entire net income?

Moreover, the figures in this exhibit that refer to the postage calculation paid by publishers and the resulting loss from increased postage do not begin to state the complete payments and losses of the publishers. They apply only to copies mailed by the publishers themselves, on which accurate figures are quickly obtainable. They take no account of the newsstand copies, mailed at the second-class rates by the news companies of the country. The newsstand edition, in the case of two of these five leading magazines, is larger than the editions mailed direct to subscribers.

Postmaster General Hitchcock's profound ignorance concerning the relation of magazine advertising to magazine profits is shown by the fact that, although these magazines received in 1909, \$2,463,940.39 for advertising, the aggregate of their net incomes was only \$230,734.57—less than one-tenth of their advertising receipts.

Postmaster General Hitchcock proceeds in the first and second paragraphs on page 4 to cite a recent increase of advertising rates of a certain magazine, and to consider, and use in figuring, as net profits the total amount of advertising it carries for the year.

(It is of incidental interest, in showing the partisan attitude of the Postmaster General, that in calculating the total amount of advertising received by this publication, he takes the number of lines actually printed in this weekly's richest advertising season, ignoring the fact that in the summer this periodical is sometimes published at a loss, and makes an estimate of its advertising patronage for the whole year on the basis of what it received in the months when advertising is at its height.)

But the gigantic error of the Postmaster General in calculating the additional income from advertising for this weekly resulting from its increased advertising rate, and assuming that this increased income is all profit, arises from the Postmaster General's total ignorance of the publishing business in general; and in particular, of the fact proved above, that the magazines save only a small fraction of their aggregate advertising income as net profits after paying the expenses of production and administration.

Then the Postmaster General finds out how much money the increased rate brought the periodical and observes with an air of finality that this income was more than sufficient to meet the higher postal charges.

The facts are, of course, that to get this higher advertising rate, the "great periodical" had to publish enough more copies and additional reading matter in those copies to justify the increased rate; and that to manufacture and supply these additional subscriptions it costs magazines more than twice as much as they get from subscribers. Furthermore, the Postmaster General takes gross advertising income as net profit, apparently thinking that advertising flows into periodical offices without the asking, where as a matter of fact it is necessary to spend enormous sums for high-priced men to solicit advertising, for other men to lay out plans and make designs for advertisers, and for a large clerical force to handle the advertising department. The calm way in which the Postmaster General ignores the cost of presswork and paper on which the advertising is printed exhibits his ignorance of the fact that there is in business an expense side of the ledger as well as an income side.

But this whole error is best exemplified by the showing before that the five leading standard magazines, which have given the exact figures of their business, save for net profits an amount less than 10 per cent of their gross advertising incomes. Mr. Hitchcock figures with this particular magazine that it saves 100 per cent.

Then, apparently, to impeach the definite statements, publicly made by reputable magazines as to their actual profits, which statements are on file in the Department of Commerce and Labor and readily accessible to the administration, Postmaster General Hitchcock has recourse to the stock-selling literature and the wild guesses of certain promoters whose business it is to distribute stock through the country by mail.

These stock promoters have followed the usual methods of the tribe in selecting the two or three more successful publications, guessing at their profits and following these wild guesses with wilder ones as to the profits of all publishers. The Postmaster General has adopted the same methods and gone the promoters one better, stating as facts what the promoters have more frankly stated as presumptions.

In the first paragraph of page 5 the Postmaster General tells of some horrible examples of periodical publications classed as magazines which have 97 per cent and even 99 per cent of their superficial area taken up with advertising. On application to the Periodical Publishers' Association no one could be found who had ever seen such a periodical. But this statement of the Postmaster General, as a contribution to this argument, is sufficiently answered by his own statement in paragraph 3 of page 3 of this pamphlet, when the Postmaster General says: "Advertising portions of magazines comprise on an average about a third of their total weight."

Postmaster General Hitchcock's statement in the second paragraph of page 5, that magazines, "in so far as they provide public information, are left exactly on a par with the newspapers," because only their advertising is penalized, is also answered by himself in his explanation in paragraph 3 on page 3 that the increased rate in the Senate amendment has the net effect of a rate of 2 cents a pound on the entire periodical.

It is answered more intelligently by the proved fact that the magazines could never "provide public information" in the physical and editorial excellence of that actually provided by them without the assistance of advertising, the profits from which have to pay more than half the cost of editing, manufacturing, and supplying the periodical before there are any profits.

The Postmaster General's final paragraph on page 5 amounts to nothing more, when one examines it, than the statement that there is, after all, a deficit in the Post Office Department.

Deficits have always been reported from the Post Office Department. The percentage of the deficits to revenue in the years since second-class matter grew to important proportions are vastly smaller than when there was little second-class mail. The percentages of deficits have decreased every decade coincidentally with the increases in second-class mail. There would be a surplus of \$23,000,000 in 1910 but for the losses on rural free delivery, a loss wisely incurred, for an institution, however, of little benefit to magazine publishers.

In the first paragraph of page 6, the Postmaster General claims that the proposed postal increase will amount to \$6,000,000. It is easily proved by the Postmaster General's own figures and estimates that the post office would not gain net anything like \$6,000,000. The Postmaster General gives the whole weight of second-class mail as 800,000,000 pounds. All the classifications of second-class mail that could possibly be affected by the proposed increase are given in his annual report as 42.97 per cent of the whole, or 343,760,000 pounds. He says the proposed increase means 1 cent a pound on the whole weight of the periodical. This figures easily \$3,437,600 gross gain for the department. From this figure would have to be subtracted all the periodicals exempted because they do not publish 4,000 pounds weight per issue.

From the balance thus obtained would have to be subtracted all the expenses of a new force of clerks to check up the publishers' statements of advertising weights; all the expense of extra inspectors to watch the unscrupulous people who would try to take the place of reputable publishers by printing advertising in the guise of reading matter, and extra legal expenses in the injunction suits against the post office certain to follow the exercise of the despotic power, conferred by this amendment on the Postmaster General, to kill a periodical by saying it was not a newspaper.

The Postmaster General has been reported by the newspapers as preparing to exempt all agricultural periodicals on the ground that they are newspapers, and perhaps the religious weeklies. If he does so, the further subtractions would bring the net increase of revenue to the Post Office Department down to certainly less than \$2,000,000, and probably not one-half that, the new rate being levied on the larger concerns among magazines, which altogether amount to only one-fifth of all second-class mail.

The last paragraph on page 6 of Postmaster General Hitchcock's letter complains that magazines have "repeatedly increased their advertising rates as their circulation has grown, but the postal charges \* \* \* have remained stationary for years."

If a magazine has 100,000 circulation and a fair corresponding rate for advertising, and if the circulation is then increased to 200,000 the publisher has the same right and the same necessity to charge more for the doubled circulation that a grocer has to charge more for 2 pounds of tea than for 1 pound. But what possible relation has this to the fact that postage rates have remained stationary? The post office gives no more service than it did before magazine circulations and advertising increased—in fact, it gives less, as it now requires the big magazines to separate and tag for distribution, and, in many cases, deliver to the trains, a vast quantity of magazine mail, formerly handled entirely by the post office.

As to how much this increased circulation and advertising has “swollen the profits” of the publishers, the sworn figures speak for themselves.

As to the last sentence in Postmaster General Hitchcock's letter, on page 6, claiming that the public is “taxed” by the magazine industry, it is a final answer to point out that the public is not taxed, but gains by getting in the many millions of purchases of the weekly and monthly issues of the periodicals an article twice as good as the public's subscription payment could buy but for the advertising help.

The public also gains by having the deficit of its post office reduced by second-class mail and the business it engenders. The Government could in 1910 show a loss of approximately \$29,000,000 on rural free delivery and a final total deficit of only \$5,800,000. But for second-class mail this would have been impossible, as the parallel history of increases in second-class mail and coincident decreases in the deficit over a generation clearly shows. The public would have had to suffer a direct tax to enable the Government to give this wise benefit of rural free delivery to the farmer but for the filling up of the post office factory with business engendered by second-class mail.

Turning to Postmaster General Hitchcock's letter, beginning at the bottom of page 6, the best answer Mr. Hitchcock can give to the striking example of Canada's second-class mail rate of one-fourth of a cent a pound, and a surplus for its post office department as a result, is the statement that certain other countries do not have a low postage on second-class mail.

How this affects the main contention in this Canadian example—that in a country of magnificent distances, part of our own continent, magazines are given a rate of one-fourth the figure which Postmaster General Hitchcock claims to cause a loss of \$62,000,000, while Canada is showing a surplus for the post office—is not apparent.

The other countries mentioned by Mr. Hitchcock do not have magazines of large popular circulation of the most excellent physical and editorial qualities, accessible to any citizen at prices wonderfully low in the United States, where nearly all other prices of articles that make up the cost of living are wonderfully high. Compare the average of intelligence among the masses in the “other countries” mentioned by Mr. Hitchcock with that in the United States, and no better commentary is needed on the educational work of the popular, low-priced American periodicals.

The last item in this pamphlet is a letter from the Postmaster General in which he makes some corrections in his attack on Everybody's Magazine (corrections forced on him by the advertised statements of the real facts from the publishers of Everybody's) and goes on to repeat again his extraordinary error in considering gross advertising income as net profit, when, as we have shown, for five leading magazines, their total net profits are only one-tenth of the advertising receipts.

Then Postmaster General Hitchcock analyzes the figures of the publishers of Everybody's and works up to the climax of a discovery that according to their figures, it cost them \$1,550,000 to publish 650,000 copies monthly, or 19 cents a copy.

This is the Postmaster General's final achievement in his controversy with Everybody's, to discover that if their other figures were correct it would mean that it cost them 19 cents to supply a magazine, the gross price of which to the public is only 15 cents a copy on the news stands (the publisher receives only 8 cents net from the sales), and 12½ cents a copy in yearly subscriptions.

The answer is simply that it does cost 19 cents a copy. Anyone on Everybody's business staff could and would have told the Postmaster General that this was the case without his painful figuring.

Furthermore, this is the whole nub of the matter, which Postmaster General Hitchcock has never been able to grasp: That it does cost more to edit, manufacture, and deliver a great popular magazine, good enough to carry large

quantities of advertising, than even the gross selling price of that magazine to readers and more than twice as much as the net receipts of the publisher from readers.

If Postmaster General Hitchcock had ever studied the situation sufficiently to grasp this fundamental fact—the groundwork of the business of publishing magazines of low price, large circulation, great advertising receipts, and modest final profits—he would never have begun this controversy.

I submit a further reply of the periodical publishers denying the accuracy of the calculations made for the department:

EXHIBIT H.—*Some of the most glaring errors of the Post Office Department in computing cost of second-class matter.*

DOES SECOND-CLASS MATTER CONSTITUTE 63.91 PER CENT OF THE WEIGHT CARRIED IN THE MAILS, AS CLAIMED BY MR. HITCHCOCK?

The official weighings of 1907 show that Mr. Hitchcock is wrong.

On page 21, House Document 910, Sixtieth Congress, the relative proportion of weights carried in the mails is given as follows:

|                          | Per cent. |                                 | Per cent. |
|--------------------------|-----------|---------------------------------|-----------|
| First-class matter.....  | 7.29      | Equipment carried in connection |           |
| Second-class matter..... | 36.38     | therewith.....                  | 38.12     |
| Third-class matter.....  | 8.32      | Empty equipment dispatched....  | 4.96      |
| Fourth-class matter..... | 2.73      |                                 |           |
| Franked matter.....      | .21       | Total.....                      | 100.00    |
| Penalty matter.....      | 1.99      |                                 |           |

(These are official figures, not Mr. Hitchcock's estimates.)

The pure mail matter weighs 56.92 per cent; the equipment, 43.08 per cent. The Government pays for transporting and handling the equipment as well as the mail matter.

It is true that the special weighings show that second-class matter constitutes 63.91 per cent of all the matter without the equipment, but this fact does not justify the representation that second-class matter constitutes 63.91 per cent of the weight carried in the mails, because:

That is absolutely untrue.

Nor does it justify the use of 63.91 per cent as a factor in computing cost based upon weight, because—

That factor is inflated by 22.91 per cent of the whole weight carried in the mails.

How far is Mr. Hitchcock wrong? By over 55 per cent.

How do we prove that? By official figures.

The weight of the equipment in which second-class mail is carried is but a very small percentage of the weight of the second-class matter itself; the weight of the equipment in which other classes of mail are carried is more than the weight of the mail itself. Even Mr. Hitchcock knows that.

The official weighings show that the weight of the equipment carried in connection with second-class matter and the empty equipment is only 12.43 per cent of the weight of second-class matter. In the report of the hearings before the House committee, 1910, Mr. Hitchcock (p. 124) proves this in his apportionment, as follows:

#### SECOND CLASS.

|  | Pounds.       |
|--|---------------|
| Total weight of mail transportation.....                           | 778, 907, 471 |
| Total weight of mail, equipment, and empty equipment transported.. | 875, 744, 735 |
| Total weight of equipment and empty equipment transported..        | 96, 837, 264  |

The weight of equipment and empty equipment is 12.43 per cent of the weight of second-class matter; 12.43 of 36.38 per cent added to 36.38 per cent equals 41 per cent second-class matter, and its equipment weighs only 41 per cent of the weight carried in the mails.

Mr. Hitchcock claims it weighs 63.91 per cent.

Mr. Hitchcock's figures are wrong by over 55 per cent.

## THE WEIGHT OF SECOND-CLASS MATTER.

The demand for increased postage on second-class mail matter rests mostly on the department's claim that mail of this character constitutes 63.91 per cent of the weight carried in the mails.

In 1907 there was a special appropriation by Congress to have the mail weighed, so as to get at this information about the weights of the different kinds of mail carried, and the figures arrived at are reported in House Document No. 910, Sixtieth Congress.

Turning to page 21 of that report, we find a tabulated statement showing in percentages the weights of the different character of matter carried. They appear as follows:

|                          | Per cent. |                               | Per cent. |
|--------------------------|-----------|-------------------------------|-----------|
| First-class matter-----  | 7.29      | Equipment carried in connec-  |           |
| Second-class matter----- | 36.38     | tion therewith-----           | 38.12     |
| Third-class matter-----  | 8.32      | Empty equipment dispatched--- | 4.96      |
| Fourth-class matter----- | 2.73      |                               |           |
| Franked matter-----      | .21       | Total-----                    | 100.00    |
| Penalty matter-----      | 1.99      |                               |           |

It appears from this that second-class mail amounted to 36.38 per cent on all the weight carried. The figure of 63.91 is not the proportion of second-class matter to the total weight on which transportation was paid, but is the proportion of second-class mail to all the mail after excluding equipment. It is clear that in apportioning the expense of transportation on this basis it is assumed that equipment is carried in the same proportion for matter of the second class as for matter of other classes. The justice of this assumption is open to investigation, inasmuch as a large proportion of the second-class matter is carried without any equipment, being simply tied with a string and designated in the department as "open mail."

Light is thrown on the matter by some figures furnished by Mr. Hitchcock in the hearing before the House committee, 1910, page 124.

The total weight of second-class mail matter transportation is 778,907,471 pounds. Total weight of mail equipment and empty equipment (the equipment being for this class of mail), 875,744,735 pounds. The equipment and empty equipment for this class of mail having received transportation is, therefore, 96,836,264 pounds. Reducing these figures to every-day proportions we find that 12.43 pounds of second-class equipment receives transportation for each 100 pounds of second-class mail carried. To get at the true proportion of second-class mail and equipment receiving transportation, we can therefore increase the weight of the second-class mail carried by 12.43 per cent. It is noted that the figure of 63.91, on which these figures of cost are reached, was increased by the department, not in the true proportion of 12.43, but in the proportion of 75.67. The correction that obviously should be made in these figures shows that second-class mail and its equipment constitutes 41 per cent of all the mail and equipment carried, and can only be charged with the cost of transportation to that extent.

All costs apportioned on the basis of weight are therefore chargeable against second-class matter in the proportion of 41 per cent, instead of on the basis of 63.91 per cent, as they have been charged by the department.

Committees of the House in recent years, in investigating the operations of the Post-Office Department, have commented in serious criticism on the book-keeping methods of the department. It is astonishing, even in the light of this criticism, that so stupid and stupendous a blunder as this should have been made by the department in their calculations.

## THE COST OF HANDLING.

The present demand for increased postage on second-class matter is receiving consideration because of the repeated statement that it costs \$64,000,000 more than the Government receives for carrying and handling this class of matter. Of the stupendous loss alleged to be sustained by the Government in connection with second-class mail matter, the amount of \$21,516,411.55 is said to be for handling, covering items of "compensation of postmasters, clerks, carriers, rentals, miscellaneous, etc." These figures are taken from page 29 of Postmaster General's report for 1909. The report entered into no explanation of the manner in which this astonishing figure was arrived at, nor could publishers,



although they repeatedly asked for information on the subject, learn upon what basis of computation the cost was calculated. The House committee, at the hearings held in the spring of 1910, insisted on having this information, and, after the publishers had been obliged to defend themselves against the charge that they were responsible for any such proportion of the expense of handling, and after the case had been practically closed, the department on January 27, 1910, issued a pamphlet, dated November 1, 1909, in which an explanation was attempted to show how this total of over \$21,000,000 was arrived at. This pamphlet appears in the report of the hearings before the Committee on Post Offices and Post Roads of the House of Representatives, 1910, page 118.

On page 127 it is explained that the cost of handling was apportioned on the basis of the number of pieces of the several classes of mail handled. The result they arrived at was astonishing. Matter of the second class (other than that not paid for at all) accounts for 26.61 per cent of the total number of pieces of all kinds of mail. Such mail was charged with 26.88 per cent of the total cost of handling. In other words, piece for piece, it costs more, according to the Postmaster General's calculation, to handle second-class mail than it costs to handle, piece for piece, the rest of the mail.

Let us see how any such result can be possible in the light of an understanding of the manner in which mail of this class is handled. Second-class mail is delivered by publishers to the post office or direct to trains at railroad stations. All classes of mail, other than paid-at-the-pound-rate matter and third and fourth class matter paid in a similar way, are stamped at the office of origin. The compensation of postmasters, assistant postmasters, clerks, etc., in which are included the expense of selling and accounting for stamps, is charged against second-class mail in the same proportion by pieces which second-class matter is estimated to bear toward all other classes of mail matter, although no stamps are used. In cities having a free delivery the great bulk of the mail, other than matter of the second class is collected by carriers from drop letter boxes and substations. Matter of the second class, however, is delivered by the publishers, at their own expense, to the post office or direct to the trains. Matter of other classes has to be handled for the cancellation of stamps. There is no such operation in connection with second-class matter. Matter of other classes is also handled at the office of origin a number of times for separation by States and routes. Of second-class matter only 6.17 per cent was delivered at post offices last year "mixed," that is "received without any separation by States, cities, or routes," and consequently calling for treatment in the office of origin such as is necessary for all other classes of mail. (See report of Second Assistant Postmaster General for year ending June 30, 1910, p. 42.)

Arriving at the office of destination where such office has free delivery, all other classes of mail are delivered by carrier. A very large part of second-class matter (that addressed to news companies and to news dealers) is called for by the addressees, and is not delivered by carriers at all, eliminating any expense for delivering. Finally, where matter of second-class is delivered at all, it is only taken out by carriers at such times as delivery can be made without detriment to the service in the delivery of other classes of mail. In other words, it is handled purely as a by-product. In view of all these operations necessary in connection with other classes of mail, and which are not performed in the handling of matter in the second class, it is astonishing to find that the handling of second-class matter is claimed to cost more, piece for piece, than for the handling of mail of other classes. The only explanation made by the Postmaster General of this peculiar claim is that certain allowances and deductions had been made in the computation which finally results in this impossible and ridiculous conclusion.

That part of the press of the country which has been promised exemption from any increase in their postage rate has been employed constantly during the last eighteen months in advising the people of the country that the Postmaster General's figures are correct, and that the records of the department show that the enormous loss claimed by him in connection with second-class matter is actually incurred; but an analysis of his figures shows that they are not made from the records of the department, but are purely arbitrary conclusions, all apparently designed to justify his previously published statement of the cost incurred in connection with second-class matter. There are no figures or records in the Post Office Department that go to show the cost of transporting and handling second-class matter, as was conclusively proved at the hearings before the Penrose-Overstreet Postal Commission which was authorized by Congress to make inquiry regarding second-class mail matter, and

whose findings are reported in House Document No. 608, Fifty-ninth Congress, second session, from which we quote, page XLVII:

"The result is, in short, that the accounts kept by the Post Office Department do not furnish data for any real analysis of its operating expenses. No attempt has ever been made, for example, to classify the charge of compensation to postmasters in such way as to show how much of that charge may reasonably be assigned to the handling of each of the four classes of mail matter involved, although distinct and wholly dissimilar rates are charged for those classes. The same is true of the great item of compensation to clerks. In like manner the books of the department fail to show any method by which the compensation to the railroads for the transportation of the mail, amounting during the year 1905 to \$39,384,916.17, and during the year 1906 to \$41,141,210.17, can be separated and assigned to the classes of matter making up the body of mail so transported."

#### RURAL FREE DELIVERY.

The cost of the rural free delivery for the year 1909 was \$34,355,209.04. Of this amount \$13,821,100.60 has been charged by the department against second-class matter.

Although second-class matter, having the pound rate, constitutes less than 27 per cent of the total number of pieces of all classes of mail, we find it charged with over 40 per cent of the expense of rural free delivery.

It has never been contended that the Rural Free Delivery Service should be self-sustaining. If such were the intention of the Government, it would involve charging the cost of the rural delivery to those on rural free-delivery routes. But, then, admitting that the cost of the service ought to be assessed against those mailing matter to be delivered on these routes, and not against those to whom delivery of such matter is made, it is obvious that second-class matter is charged with more than its proportion of the cost of the service. It can not be seriously contended that two-fifths of the Rural Free Delivery Service is for the benefit of publishers. It is on this unfair apportionment of the cost that the present demand for increased postage on magazines is largely based.

#### LENGTH OF HAUL.

The rate of compensation to trunk line railroads for mail transportation is as low as \$19.23½ annually per daily ton-mile. The rate on feeder lines runs as high as \$42.75 annually for 200 pounds daily. This is at the rate of \$427.50 annually for a daily ton-mile, which is more than 22 times the lowest rate on trunk lines.

If the average haul on magazines is over 1,000 miles, it is obvious that by far the greater part of this haul is over trunk lines and is paid for at the lowest rate. On these the rate of compensation is less than 5 per cent of the maximum rate.

It has been amply made clear that newspapers can and do distribute their editions to large cities for less than 1 cent a pound by express. The mails are only used by newspapers to reach country points on feeder lines where the department pays the highest rate of transportation.

If we are to discriminate in the rate of postage because of an assumed difference in the cost of transportation, we can not ignore the fact that the hauling of magazines is paid for at the lowest rate, and the hauling of newspapers must, from the nature of the haul, be paid for at a much higher rate.

It is an open question whether the short haul on newspapers does not actually cost more than the long haul on magazines. The difference in the length of the haul certainly furnishes no basis for the proposed difference of 300 per cent in the rate of postage.

#### THE MANIFEST INJUSTICE OF THE PLAN.

The proposed amendment makes the increase in postage effective July 1, 1911. Publishers have no opportunity to reorganize their business to meet this increased cost, and it is impossible for them to pay the increase out of the proceeds of their business as heretofore conducted.

The change is being made in a manner that will make it most burdensome to everybody affected.

The business of a majority of small publishers will be destroyed; and those who can meet the burden laid on them for the next 12 months will hardly be in better shape. Inasmuch as under the proposed law the increase continues

only during the 12 months ending June 30, 1912, publishers can not reorganize their business on a basis that will meet conditions after June 30, 1912, because they do not know whether the old rate will then be restored or whether the proposed rate will be continued by further legislation.

Periodical publishing at present is an important industry, giving employment to hundreds of thousands, and is an important element in the educational progress of the country. The proposed law will reduce an industry to a gamble.

RAILWAY MAIL SERVICE.

The cost of handling second-class matter in the Railway Mail Service is charged by the department at \$4,481,072.11. This charge is said to be made on the basis of the handling of the pieces of mail in the Railway Mail Service; but the amount mentioned is 29.7 per cent of the total cost of the Railway Mail Service, although paid at the pound rate, second-class matter constitutes less than 27 per cent of the total number of pieces. This apportionment of the cost is obviously incorrect in the light of the Postmaster's own statement (see Report Second Assistant Postmaster General, 1910, p. 42): "Of these sacks (containing second-class matter), 78.78 per cent were fully made up by the publishers and were dispatched intact, 15.05 per cent were partly made up, and 6.17 per cent were mixed—that is, received without any separation by States, cities, or routes."

The fact that second-class matter requires very much less handling than any of the other classes of mail is an established fact and was referred to in the findings of the recent postal commission (see House Doc. No. 608, 59th Cong., 2d sess., p. 25). "The proportion of equipment to mail is less in the case of second-class than in the case of any other class of matter. This is primarily because second-class matter is to a considerable degree shipped in bulk and "unworked."

For these reasons I respectfully recommend that the item do not pass.

ROBT. L. OWEN.





# Calendar No. 1067.

61ST CONGRESS, }  
3d Session. }

SENATE.

{ REPT. 1242,  
Part 2. }

## INCREASE OF POSTAGE UPON ADVERTISEMENTS IN CERTAIN PERIODICALS.

FEBRUARY 28, 1911.—Ordered to be printed.

Mr. OWEN, from the Committee on Post Offices and Post Roads, in  
his own behalf, submitted the following

### VIEWS :

[To accompany H. R. 31539.]

The attention of the Senate is called to the amendment proposed  
by me February 25, 1911, as follows:

*Provided*, That from and after the passage of this act all periodical publications issued from a known place of publication at stated intervals, and as frequently as four times a year, by or under the auspices of a benevolent or fraternal society or order organized under the lodge system, and having a bona fide membership of not less than 1,000 persons, or by a regularly incorporated institution of learning, or by a regularly established State-wide institution of learning supported in whole or in part by public taxation, or by or under the auspices of a trades-union, and all publications of strictly professional, literary, historical, or scientific societies, including the bulletins issued by State boards of health, shall be admitted to the mails as second-class matter, and the postage thereon shall be the same as on other second-class matter; and all such periodical publications shall have the right to carry advertising matter, whether such matter pertains to such benevolent or fraternal societies or orders, trades-unions, strictly professional, literary, historical, or scientific societies, or to other persons, institutions, or concerns; but such periodical publications hereby permitted to carry advertising matter must not be designed or published primarily for advertising purposes, and shall be originated and published to further the objects and purposes of such organizations, respectively; and all such periodicals shall be formed of printed paper sheets, without board, cloth, leather, or other substantial binding such as distinguish printed books for preservation from periodical publications: *Provided further*, That the circulation through the mails of such periodical publications as second-class matter shall be limited to copies mailed to members, exchanges, and bona fide subscribers, together with 10 per cent of such circulation in addition as sample copies: *Provided further*, That the office of publication of any such periodical publication shall be fixed by the association or body by which it is published, or by its executive board, and such publication shall be printed at such place and entered at the nearest post office thereto.

This proposed amendment is the same as the Dodds bill, which has already been passed by the House with certain verbal changes, by omitting unimportant words, to make the meaning clearer.

I submit the argument of the journals of the scientific, fraternal, labor, and technical societies in reference to this matter for the information of the Senate:

#### SCIENTIFIC JOURNALS AND POSTAL REGULATIONS.

During the past year many scientific, technical, fraternal, and labor journals have been subject to much inconvenience, owing to recent rulings of the Post Office Department. These rulings practically force all scientific and technical societies and fraternal and labor organizations publishing journals either to omit all advertising from their journals or to give up the right to send their journals to members as one of the privileges of membership. Either of these alternatives would greatly injure these journals and would also seriously hamper these organizations and would cripple the altruistic work which they are endeavoring to do. For the relief of these and other journals similarly published by trades-unions, fraternal organizations, etc., and in order to fix by statute their standing and rights a bill (H. R. 22239) was introduced in the House of Representatives last winter by Mr. Dodds, of Michigan. After repeated and exhaustive hearings this bill was unanimously approved by the House Committee on the Post Office and Post Roads and later passed the House unanimously. (See H. Rept. No. 1437, 61st Cong., 2d sess.) It is now in the Senate, having been referred to the Senate Committee on Post Offices and Post Roads.

■ The amendment of February 25, 1911, proposed to be offered by me, is in substance the Dodds bill in the form of an amendment to H. R. 31539—post office appropriation bill.

The passage of this bill is of the greatest importance to all scientific, fraternal, and labor organizations. In order that a somewhat complicated matter may be better understood, a statement of the present situation and a presentation of the arguments for the passage of the bill seem advisable.

The subject will be discussed under the following heads:

1. Postal laws regarding second-class publications.
2. Rulings of the Post Office Department regarding second-class publications.
3. Position of scientific publications under present rulings.
4. Reasons why the Dodds bill (H. R. 22239) should pass.
5. Summary.

#### POSTAL LAWS REGARDING SECOND-CLASS PUBLICATIONS.

There are at present two acts governing the postal privileges of periodicals—one passed in 1879, the other in 1894.

##### ACT OF 1879.

Section 428, the essential part of the act of 1879, reads as follows:

"The conditions upon which a periodical shall be admitted to the second class are as follows:

"1. It must regularly be issued at stated intervals as frequently as four times a year, and bear a date of issue and be numbered consecutively.

"2. It must be issued from a known office of publication.

"3. It must be formed of printed paper sheets, without board, cloth, leather, or other substantial binding, such as distinguish printed books for preservation from periodical publications.

"4. It must be originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry, and having a legitimate list of subscribers: *Provided, however, That nothing herein contained shall be so construed as to admit to the second-class rate regular publications designed primarily for advertising purposes, or for free circulation, or for circulation at nominal rates.*"

##### ACT OF 1894.

In 1894 an amendment, which now forms section 429 of the Postal Laws, was adopted. This section reads:

"SEC. 429. All periodical publications issued from a known place of publication at stated intervals, and as frequently as four times a year, by or under the auspices of a benevolent or fraternal society or order organized under the lodge system, and having a bona fide membership of not less than one thousand persons, or by a regularly incor-

porated institution of learning, or by or under the auspices of a trades-union, and all publications of strictly professional, literary, historical, or scientific societies, including the bulletins issued by State boards of health, shall be admitted to the mails as second-class matter, and the postage thereon shall be the same as on other second-class matter and no more: *Provided further*, That such matter shall be originated and published to further the objects and purposes of such society, order, trades-union, or institution of learning, and shall be formed of printed paper sheets, without board, cloth, leather, or other substantial binding, such as distinguish printed books for preservation from periodical publications."

#### RULINGS OF THE POST OFFICE DEPARTMENT REGARDING SECOND-CLASS PUBLICATIONS.

In a letter to Mr. Weeks, chairman of the House Committee on the Post Office and Post Roads, dated February 28, 1910, Postmaster General Hitchcock objects to the passage of the Dodds bill and states that the Post Office Department has repeatedly refused to recognize members of societies as "legitimate subscribers," and in support of this statement cites (1) Opinions from J. N. Tyner, Assistant Attorney General, dated October 14, 1890, April 1, 1891, August 16, 1893; (2) section 232 of the Postal Regulations for 1887; (3) letter from J. N. Tyner, dated January 24, 1901; (4) Circular XX, dated December 30, 1901; (5) Circular XXI, dated February 21, 1903; (6) Circular XXV, dated December 16, 1905. As these exhibits evidently constitute the Post Office Department's case, they are entitled to a careful examination, and will be considered in chronological order.

#### POSTAL REGULATIONS OF 1887.

From the passage of the law of 1879 to 1890, a period of over 11 years, journals published by organizations and sent to members as one of the privileges of membership were accepted without question as second-class matter. In the letter of the Postmaster General referred to above, an effort is made to prove that periodicals published by organizations were never recognized by the Post Office Department as complying with second-class regulations. As evidence of this the Postal Regulations of 1887 are quoted, in which appears a ruling, which reads: "Subscription price \* \* \* will be deemed nominal \* \* \* (3) when the publication is issued for and distributed among the members of a society, organization, or club on the payment of regular dues, with no distinct and sufficient charge for the publication." This quotation is not a part of the law, but is simply an opinion of the Post Office Department as to the meaning of the law; but evidently the post office officials at that time did not understand paragraph 3 as prohibiting the circulation of journals published by organizations, since no effort was made to enforce this interpretation of paragraph 3 against such journals, and such journals were accepted by the Post Office Department as coming under the law of 1879. In this connection it is significant to note that this is the only reference to the Postal Regulations which the Postmaster General cites as bearing on this point.

#### OPINIONS OF ATTORNEY GENERAL TYNER.

On October 14, 1890, Mr. James N. Tyner, then Assistant Attorney General, submitted an opinion stating that, under the then existing Postal Laws and Regulations, it was a matter of extreme difficulty to lay down any rule on this point, but suggesting: (1) That the subscription list should show that the publication is taken by the voluntary act of the subscribers; (2) that there should be a distinct subscription price; (3) that such a price should be sufficient to prevent the paper from being classed as one circulated at nominal rates or donated to subscribers.

Another decision of Assistant Attorney General Tyner, dated April 1, 1891, in the case of the Gavel, a fraternity paper, is cited by the Postmaster General in his letter to Mr. Weeks, of February 28, 1910; but in this case, as shown by Mr. Tyner's decision, the paper was not the property of the lodge. Mr. Tyner concludes: "Inasmuch as the order and the paper are two distinct concerns, the member and the subscriber should be equally independent." Obviously, when the paper and the order are not two distinct concerns, but when the paper is owned by the order, Mr. Tyner's decision would not apply. This ruling, therefore, has no bearing on the present situation.

#### RULING REGARDING ADVERTISING.

On January 24, 1901, the Post Office Department ruled that the clause in the act of 1894, "*Provided further*, That such matter shall be originated and published to further the objects and purposes of such society, order," etc., did not apply to the publication

as a whole, but to "the matter contained therein," and that publications containing advertisements in the interest of other persons or concerns than the society, trade-union, or institution of learning which such paper represents are not entitled to the privileges of this act. That this interpretation is contrary to the intent of the act of 1894 will be shown later on.

#### RULINGS OF MR. MADDEN.

On December 30, 1901, the Third Assistant Postmaster General, Edwin C. Madden, ruled that when "the claimed list of legitimate subscribers on which is based an application for entry of a publication to the second class of mail matter under the act of March 3, 1879, is composed entirely or partly of members of the organization publishing the same, whose subscriptions are paid by deducting the subscription price from their membership fees or dues, it is for the present allowed that they may be counted among the legitimate subscribers enumerated in articles 309 and 310, pages 1037-38, of the January, 1901, postal guide, provided it be shown that there is a provision of the constitution or by-laws of the organization to the effect that such a part of each member's fees or dues is set aside to pay his subscription," etc. This ruling distinctly admits that members of organizations are "legitimate subscribers" of journals published by such organizations.

On February 21, 1903, Mr. Madden further ruled: "Where the claimed list of legitimate subscribers on which is based an application for entry of a periodical publication of a fraternal society to the second class of mail matter under the act of March 3, 1879, is composed entirely or partly of members of the fraternal society publishing the same and whose subscriptions are made direct by the members of such society or where such subscriptions are paid for from the funds of such fraternal society, which funds are contributed by the members and belong to such fraternal society, it is allowed that such subscriptions are legitimate within the meaning of the law and that they may be counted among and as legitimate subscribers enumerated in Departmental Circular III and section 436 of the postal regulations." This ruling confirms the previous one.

#### CIRCULAR NO. XXV.

On December 16, 1905, on account of the abuse of second-class privileges by publications "which are not in fact newspapers or periodicals; combination advertising circulars clothed with just enough reading matter to appear to be periodicals; house organs and others chiefly designed for advertising purposes and having no legitimate list of subscribers, and others for which no real subscription price is asked," Circular No. XXV was issued, emphasizing the provisions of the law of 1879 regarding a legitimate list of subscribers. This circular was plainly issued for the specific purpose of checking the abuse of second-class privileges by such publications as those enumerated above, which were regarded as "advertising sheets and those sold at a nominal rate or circulated free." As no reference is made in Circular XXV to journals published by fraternal and scientific organizations, it is reasonable to assume that such journals were not considered as belonging to the class of publications referred to in the circular, else they would have been mentioned specifically. The fact that they were not mentioned shows that they were regarded as complying with the requirements of the law. There is nothing in Circular XXV to show that journals published by fraternal and scientific organizations were considered in the preparation of the circular or that the circular in any way referred to such journals.

#### RULINGS CITED BY POST OFFICE DEPARTMENT DO NOT SUPPORT ITS PRESENT POSITION.

As the rulings given above are the only ones cited by the Post Office Department in defense of its present position, it may be assumed that they are the only rulings on record bearing on these points. According to the Post Office Department's own argument, the ruling of Assistant Attorney General Tyner, in 1890, only applies to journals not owned by the order, but merely used as the official organ. The two rulings of Third Assistant Postmaster General Madden, in 1901 and 1903, distinctly admit that a membership list is a legitimate list of subscribers for a journal owned by the organization publishing it, while Circular XXV, cited by the Post Office Department as bearing on organization publications, was plainly issued for an entirely different purpose, does not, in any place, mention organization publications and consequently has no bearing on the rights of organization publications to second-class rates. The rulings cited by Postmaster General Hitchcock are therefore distinctly in favor of the contention of the organization journals. The passage of the Dodds bill will merely confirm, by statutory enactment, the rulings of Mr. Madden and will perpetuate the conditions which have existed for years.

LATEST RULING ON "LEGITIMATE SUBSCRIPTION LIST."

In the report of the Post Office Department for the year ending June 30, 1909, the Post Office Department "declines to consider as a part of a legitimate subscription list such subscriptions as are made in connection with the payment of dues unless it is made plain to the member that he is given an opportunity to say whether he desires such publication, and in the event of his not desiring it sufficiently to pay therefor, his dues will be diminished by the amount of the subscription price of the publication." This ruling is responsible for the present situation.

POSITION OF ORGANIZATION PUBLICATIONS UNDER PRESENT RULING.

A periodical published by a professional, fraternal, literary, historical, or scientific society, or trades-union must, at present, enter either under the act of 1879 or that of 1894. If it enters under the act of 1879, the membership list of the organization can not, under the present ruling, be regarded as a "legitimate" list of subscribers, but each member must be given the opportunity to say whether he desires such a publication and, in the event of his not desiring it sufficiently to pay therefor, his dues must be diminished by deducting the subscription price of the publication. This ruling is entirely different from that of Mr. Tyner in 1890, which related entirely to subscription. The present ruling of the Post Office Department attempts to dictate to organizations under what conditions they shall accept members and how the dues of the society shall be paid. Under this ruling a journal published by an organization can not be sent to all members as one of the privileges of membership, but each individual member who so desires must subscribe for the journal separately. If he does not wish the journal he can decline to receive it and can refuse to pay the amount of his per capita subscription assessment. The organization is denied the right to fix its own dues and each member is given the privilege of paying so much of the dues as he may see fit.

If, on the other hand, the journal desires to enter under the act of 1894, it can not, according to present rulings, carry any matter, either advertising or reading matter, that is not directly intended to further the objects and purposes of the order, as interpreted by the officials of the Post Office Department.

JOURNALS AFFECTED BY THIS RULING.

The following are some of the scientific and technical journals affected by the rulings of the Post Office Department cited above:

| Names of journals.  | Date of entry. | Names of journals.   | Date of entry. |
|---|----------------|--|----------------|
| American Journal of Archaeology.....                                    | 1898           | California State Journal of Medicine.....                        | .....          |
| American Journal of Anatomy.....  | .....          | Colorado Medicine.....   | 1906           |
| Advocate of Peace.....  | 1879           | Illinois Medical Journal.....                                    | 1899           |
| Journal of the Universal Peace Union.....                               | 1892           | Journal of the Indiana State Medical Association.....            | 1908           |
| Journal of the Western Society of Engineers.....                        | 1896           | Journal of the Kansas Medical Society.....                       | 1908           |
| The Annals of the American Academy of Political and Social Science..... | 1890           | Kentucky Medical Journal.....                                    | 1906           |
| Bulletin of the American Institute of Architects.....                   | .....          | Bulletin of the Medical and Chirurgical Faculty of Maryland..... | 1908           |
| Bulletin of the American Institute of Mining Engineers.....             | 1905           | Journal of the Michigan State Medical Society.....               | 1902           |
| Bulletin of American Mathematical Society.....                          | 1891           | Journal of the Missouri State Medical Association.....           | .....          |
| Proceedings of the American Institute of Electrical Engineers.....      | .....          | Journal of the Medical Society of New Jersey.....                | .....          |
| Journal of the American Chemical Society... ..                          | 1885           | New York State Journal of Medicine.....                          | 1907           |
| The National Geographic Magazine.....                                   | 1888           | Ohio State Medical Journal.....                                  | 1905           |
| Journal of the American Medical Association.....                        | 1885           | Oklahoma State Medical Journal.....                              | 1909           |
| The Military Surgeon.....   | 1902           | Northwest Medicine.....  | 1903           |
| American Journal of Public Hygiene (application pending).....           | .....          | Tennessee State Medical Journal.....                             | 1908           |
| The Nature Study Review.....  | .....          | Texas State Journal of Medicine.....                             | .....          |
| Western Society of Technical Chemists and Metallurgists.....            | .....          | Journal of the South Carolina Medical Association.....           | .....          |
| Journal of the Arkansas Medical Society.....                            | 1906           | West Virginia Medical Journal.....                               | 1906           |
|   |                | Wisconsin Medical Journal.....                                   | 1903           |

## OBJECT OF THE DODDS BILL.

The object of the bill now before the Senate Committee on Post Offices and Post Roads (Union Calendar No. 270) is to define the right of fraternal, benevolent, scientific, and other organizations to publish journals carrying advertising for distribution to their members as one of the privileges of membership.

## REASONS FOR THE PASSAGE OF THE BILL.

The passage of the bill now before the Senate committee (Union Calendar No. 270) is asked for the following reasons:

## STATUS OF SCIENTIFIC JOURNALS SHOULD BE FIXED BY LAW.

The status of journals published by scientific, fraternal, and technical organizations should be definitely fixed by law. Under present conditions the right of the journals enumerated above to second-class mail privileges is dependent entirely on the ruling of the officials of the United States Post Office Department who may be in office at the time. As will be seen above, these rulings have been contradictory and uncertain. The passage of the bill will substitute specific statutory enactment for departmental rulings and will determine, authoritatively and finally, the status of these journals. The existing situation is indefinite, uncertain, unsatisfactory, and intolerable. The scientific and professional journals of the country have a right to ask that their status be definitely fixed by act of Congress and not left subject to the contradictory rulings of different officials, usually subordinates.

## RIGHTS OF JOURNALS HAVE LONG BEEN RECOGNIZED.

The right of properly constituted bona fide organizations to publish journals for members has been recognized by the Post Office Department for over 30 years. Many of the journals involved in the recent decision were in existence prior to the act of 1894, while those entered subsequent to 1894 were accepted by the Post Office Department under the act of 1879, although the postal authorities now claim that such journals should be entered under the act of 1894. The following table shows the date of entry of the scientific journals involved:

## JOURNALS ENTERED UNDER ACT OF 1879 PRIOR TO PASSAGE OF ACT OF 1894.

| Names of journals.  | Date of entry. | Names of journals.                          | Date of entry. |
|---|----------------|---|----------------|
| Advocate of Peace.....  | 1879           | Bulletin of American Mathematical Society.. | 1891           |
| Journal of the American Chemical Society...                         | 1885           | The Military Surgeon.....                   | 1891           |
| Journal of the American Medical Association...                      | 1885           | Journal of the Universal Peace Union.....   | 1892           |
| The National Geographic Magazine.....                               | 1888           |   |                |
| Annals of the American Academy of Political and Social Science..... | 1890           |   |                |

## JOURNALS ENTERED UNDER ACT OF 1879 AFTER PASSAGE OF ACT OF 1894.

|   |      |  |      |
|---|------|--|------|
| Journal of the Western Society of Engineers.                | 1896 | Kentucky Medical Journal.....                                    | 1906 |
| American Journal of Archæology .....                        | 1898 | Journal of the Arkansas Medical Society.....                     | 1906 |
| Illinois Medical Journal.....                               | 1899 | Colorado Medicine.....   | 1906 |
| Journal of the Michigan State Medical Society.....          | 1902 | New York State Journal of Medicine.....                          | 1907 |
| Wisconsin Medical Journal.....                              | 1903 | Journal of the Indiana State Medical Association.....            | 1908 |
| Northwest Medicine.....                                     | 1903 | Journal of the Kansas Medical Society.....                       | 1908 |
| Ohio State Medical Journal.....                             | 1905 | Tennessee State Medical Journal.....                             | 1908 |
| Bulletin of the American Institute of Mining Engineers..... | 1905 | Bulletin of the Medical and Chirurgical Society of Maryland..... | 1908 |
| West Virginia Medical Journal.....                          | 1906 | Oklahoma State Medical Journal.....                              | 1909 |



If it is true, as claimed by the Post Office Department, that the act of 1894 was passed to provide a way by which journals published by organizations could be entered as second-class matter, why has the Post Office Department continued, since the passage of the act of 1894, to accept such journals for entry under the act of 1879?

The Journal of the American Medical Association was accepted under the act of 1879 as second-class matter on June 25, 1885. This journal was established primarily for distribution to members only, as one of the privileges which they received in return for the payment of annual dues and to take the place of the annual volume of Transactions. The demand for the journal by others than members and the increasing membership of the association, has developed a joint membership and subscription list of 53,191 (Oct. 1, 1910), of which 33,693 are members of the association and 19,498 are subscribers. The books of the association show that approximately 75 per cent of the present membership were originally subscribers and later on became members on solicitation, so that over 84 per cent of those who receive this journal are independent, bona-fide subscribers, although many of them are now carried on the list as members. The right of this journal to second-class privileges has been recognized by the Post Office Department for over 27 years. Now this right is denied.

#### THE PASSAGE OF THE DODDS BILL WILL NOT CHANGE EXISTING CONDITIONS.

The passage of the Dodds bill will confer no new privileges or rights on any existing publications, but will simply confirm by specific act of Congress the privileges which society publications are at present enjoying and which many have enjoyed for years.

In the hearing before the House committee Mr. S. D. Williams, chairman of the special committee of the Fraternal Press Association, said: "These fraternal publications have been admitted to the mails for the last 30 or 40 years. The Modern Woodmen of America, the paper over which this controversy occurred and which was ruled out of the mails, \* \* \* was admitted to the mails 27 years ago. These papers were admitted to the mails long before the act of 1894 was passed, and they had all the privileges of newspapers. \* \* \* The Post Office Department having made this ruling, there was but one thing left for us to do, and that was to ask Congress to so amend the law as to place us back again in the same position we have occupied for 30 years previous to that ruling. We are asking for nothing we have not had for 30 years. \* \* \* We have had these privileges for 30 years. Now, the question before Congress and before this committee is whether these rights, which these papers have enjoyed all these years, are to be taken away from them. I can not think of any other industry or any other institution whose rights have been taken away from them arbitrarily without compensation, unless it may be some hurtful thing that has operated against public policy. \* \* \* We want to be reinstated again, placed back in the same position we have occupied for 30 years. We want the same rights and privileges, and no more, extended to our periodical that are extended to other periodicals. We want this committee and this Congress to fix our status and not leave us to the changed conditions that are brought about by constant changes in the Post Office Department."

These journals have all been entered as second-class matter for years past and have been carried by the post-office as second-class matter. The passage of the proposed bill will simply confirm existing conditions and will not cause any increase in the number of such journals nor in the amount of second-class mail matter. The fear expressed by Postmaster General Hitchcock, in his letter of June 16, 1910 (Congressional Record, June 25, p. 9503), that it would cause any "extension of the second-class mailing privileges," is not founded in fact, since the bill simply confirms conditions which have existed for years. Mr. Hitchcock's further objection that "the bill apparently seriously discriminates against those other publishers who have to maintain a legitimate circulation through the sheer merits of their papers as against circulation based on a mere matter of membership" falls to the ground when it is understood that these journals could not be published by private enterprise and that the chief object for organizing many of the scientific societies affected is the publication of technical, scientific journals for distribution to members.

#### THE PASSAGE OF THE DODDS BILL WILL CARRY OUT THE REAL INTENT OF THE ACT OF 1894.

It was not the intent of the act of 1894 to prevent organization journals entered thereunder from carrying advertising. Hon. W. S. Linton, of Nebraska, a Member of the House of Representatives of 1894 who was prominent in the passage of the amendment to the postal laws adopted that year, states that the object of the passage of this act was to confer on journals published by fraternal, benevolent, and scientific

organizations all the rights and privileges accorded other journals entered as second-class matter. His letter on this point is submitted herewith:

"FEBRUARY 10, 1910.

"S. D. WILLIAMS, *Chairman Special Press Committee, Detroit, Mich.*

"DEAR SIR: Responding to your favor of February 9, will say that the object of the act of 1894 as advocated, and substantially as passed, was for the purpose of securing an unquestionable right for fraternal society papers to enter the mails as second-class matter.

"This right has been questioned by officials of the Post Office Department, and it was said even those fraternal papers such as published by the Maccabees and others and entered as second-class under the act of 1879 were about to be excluded therefrom. Just at this time, too, a number of fraternal journals were paying under protest the postage rates of higher classifications, and were demanding that they be relieved from what they considered a burden and placed on the same plane as other publications in the country which were being accorded second-class privileges.

"I was at this time a Representative in Congress from this State, and also a member of the National Fraternal Congress. The latter body named a committee, of which I was chairman, to secure, if possible, the desired legislation. We caused the bill, or rather the amendment of the existing law, to be introduced by Representative Hainer and Senator Manderson, both of Nebraska, and the bill became known as the "Manderson-Hainer bill," and more petitions were filed in Congress for its passage than any other measure under consideration at that session. After introduction it was amended somewhat, principally to permit publications of other regular organizations to have the unquestioned privilege also of entering the mails as second class.

"I do not remember that any time while the bill was under discussion that the privileges of advertising and running such other departments as were then accorded to publications entering the mails under the act of 1879 were to be eliminated in any degree from the fraternal journals; but on the contrary it was supposed by those having the matter in charge that fraternal publications would be accorded precisely the same privileges and rights as all other periodicals rated at that time as second-class mail matter. I am confident that ex-Congressman Hainer and ex-Senator Manderson had this understanding of the matter also, and I would suggest that you write the former at Aurora, Nebr., and the latter at Omaha, sending each of them a copy of this letter.

"Fraternally, yours,

"W. S. LINTON."

As further evidence of the intent of this act, the statement of Hon. E. J. Hainer, of Lincoln, Nebr., is submitted:

"LINCOLN, NEBR., *February 21, 1910.*

"S. D. WILLIAMS, Esq.,

"302 Whitney Building, Detroit, Mich.

"DEAR SIR: Answering your favor of the 17th instant, have to say that during the discussions relating to postal rates on fraternal papers, and during all of the negotiations leading up to the introduction and passage of that measure, the strong argument made against according fraternal publications the same rates as are given to other papers was that the fraternal publications were used principally and almost exclusively for advertising purposes. They were then of the same general character as now. In fact, perhaps, carried more of advertising than they do at the present time.

"When the matter came on for hearing on the motion of Mr. Springer, as I suggested to you in my last letter, a large number of Members spoke in favor of the measure, and as I now recall it, none spoke against it. \* \* \* The advertising objection was used principally by officers of the department in support of the departmental ruling to which we objected. At that time, however, the argument proceeded along the line that not only were the fraternal publications devoted almost exclusively to advertisements, but that these publications had no bona fide subscribers, and that the papers were sent out to simply further the advertising schemes of the promoters of fraternal societies. Manifestly, the fact that these papers contained advertisements which were prohibited by law could not be urged legitimately against it, for all newspapers contain more or less advertising matter.

"The entire purpose of the amendment engrafted upon the appropriation bill was to accord to fraternal papers exactly the same status and the same rights and privileges accorded to the regular and ordinary newspaper. This was the simple thought which prevailed, and was made effective by statute. I can not see that there is any reasonable excuse for placing any other construction upon the statute, and if these papers or any of them are denied admission to the mails at second-class rates, on the pretext suggested by you, it seems to me quite clear that mandamus would lie to compel compliance.

"Very truly, yours,

"E. J. HAINER."



These two statements are positive evidence of the intent of Congress in passing the act of 1894. Mr. Hainer's statement that the strongest argument brought against the passage of the act of 1894 by the post office authorities at that time was that "fraternal publications were issued principally and almost exclusively for advertising purposes" is the best possible evidence that it was not the intent of the act of 1894 to prohibit journals admitted under it from carrying advertising.

#### MEMBERS OF A BONA FIDE SOCIETY ARE LEGITIMATE SUBSCRIBERS TO ITS PUBLICATIONS.

Members of scientific, benevolent, or philanthropic societies, one of the purposes of organization of which is to publish a journal, are ipso facto legitimate subscribers to that journal and should be so recognized by the Post Office Department. Scientific and technical societies have been organized largely, and many primarily, for the purpose of publishing journals devoted to scientific or technical matters. Many of these journals can not be published by private enterprise, as they are too expensive and have necessarily a limited circulation. They must be published by an organization of those interested or they can not be published at all. Their admission to second-class privileges can not work a hardship to anyone, while the denial of these privileges would work a great hardship on the members, as it would make it impossible for them to secure scientific papers giving the results of technical and scientific researches of other men working on the same subjects. The association of individuals interested in the same scientific and technical subjects makes possible the publication of journals which would be impossible to private enterprise. Each applicant for membership in such an organization understands when he joins that one of the principal objects of the organization is the publication of a journal. One of the principal reasons for which he joins is to secure the publications of the society. The act of becoming a member is an entirely voluntary one and carries with it subscription to the publications of the organization. These journals stimulate the growth of the organization and advance scientific knowledge. In scientific and technical organizations, the journal and the organization are inseparable. All members of the organization desire to receive the journal, while most of those who receive the journal are or shortly become members. Neither the journal nor the society can be affected without affecting the other.

At the hearing before the Committee on the Post Office and Post Roads, Mr. Gilbert H. Grosvenor, of the National Geographic Society, said: "Membership means cooperation in the things for which the society exists and a magazine which stimulates interest in the objects of the society instructs the members. The only way to keep up interest in the society's work is through a publication." In reply to a question from Mr. Stafford, of the committee, as to whether he was certain that the membership of the National Geographic Society would be impaired by this change, Mr. Grosvenor said: "Absolutely. It would destroy the very foundation and means by which the society has been developed."

At this hearing Hon. John H. Small, of North Carolina, a member of the committee, said: "Cooperation is a necessary factor in the promotion and in the success of the work in the interests of which these periodicals are published \* \* \* and membership is a part of the cooperative effort." Robert S. Woodward, president of the Carnegie Institute of Washington, was asked by Hon. Victor Murdock, of Kansas, a member of the committee, whether the Journal of the American Mathematical Society required the influence of the organization to start it and whether the continued existence of the magazine was necessary to the existence of the society. Mr. Woodward replied: "You would wipe the society off the face of the earth. You would simply abolish the society if you abolished these journals."

#### POST OFFICE DEPARTMENT CONFUSES TWO CLASSES OF PUBLICATIONS.

The Post Office Department fails to discriminate between journals published by organizations in which the journal is an incidental and comparatively unimportant feature and journals published by scientific organizations, established primarily to make such publications possible. Scientific and professional men band themselves together in societies so as to be able to issue journals containing the results of their researches. If these journals were not issued by such organizations they could not be published at all. The journals cited in the list given above are recognized as of the greatest importance in the progress of science. The statement of the Post Office Department that receipt of these journals by members of the societies publishing them "is compulsory and not voluntary and does not constitute bona fide subscription," shows a complete lack of comprehension of the scientific interests affected by their ruling as well as of the importance and value of the entire public of these scientific publications.

## SCIENTIFIC AND TECHNICAL JOURNALS DO NOT INJURE PRIVATE PUBLISHERS.

No discrimination is shown in allowing scientific and technical organizations to send journals to members and to carry advertising. As shown above, many of these journals could not be published were it not for the organizations supporting them. These organizations exist for the professional and scientific benefit of the members and are kept up, in most cases, by the contributions of the individual members, either in the form of dues or otherwise. The admission of such journals to second-class privileges will merely give to altruistic organizations, publishing journals for mutual benefit, the same rights and privileges given to private individuals who publish journals for personal profit. What justification have the Post Office authorities in denying to organizations the rights they grant to individuals? If the second-class rates are in fact a subsidy, as is claimed by the Post Office officials, certainly those organizations which are of public and professional benefit are at least as much entitled to the benefit of such subsidy as are individuals publishing journals for personal profit.

## SCIENTIFIC SOCIETIES THE SAME AS "CLUBS."

The Post Office Department encourages the commercial press in the formation of so-called "clubs" by which publications give reduced rates to subscribers. In order to receive these reduced rates, it is necessary to belong to one of these clubs and no one outside the club has the same privilege as a member of the club. Many scientific and technical organizations affected by the ruling of the Post Office Department are essentially journal clubs, organized and maintained for the purpose of publishing a journal of value and importance to the members. Certainly the journals published by such organizations of professional men are entitled to the same clubbing privileges as commercial journals published for personal profit.

## ADVERTISING OF VALUE TO READERS OF SCIENTIFIC JOURNALS.

Advertising is not merely a source of revenue and should not be so regarded. The advertisements contained in scientific, benevolent, and professional journals are often of as much value to the subscriber as is the text. In the hearing before the House committee on this bill, Dr. H. W. Wiley said: "I could not carry on my business as chief of the chemical laboratory without the advertisements in the journal (Journal of the American Chemical Society). I want to get something. I turn there to see. There it is; everything a chemist wants is set forth there. It is as valuable as the text. \* \* \* If you took away the advertising we would lose members so fast that you could hardly count them. They want these advertisements; that is what they pay for and must have."

Examination of the journals in question bears out this statement. For instance, the Journal of the American Chemical Society for September, 1910, contains the following advertisements: Porous crucibles for use in the laboratory; chemically pure chemicals and acids; books on chemistry; a law firm which makes a specialty of chemical patents; chemical balances; balances and weights of extreme precision; four pages of advertisements regarding situations wanted, chemists wanted, laboratory assistants wanted, etc.; directory of American chemists; machines for grinding chemicals; apparatus for securing perfect combustion; electrocentrifuges and filters for use in the laboratory, etc.

The Quarterly Bulletin of the American Institute of Architects, for April, 1910, contains advertisements of white lead, fireproof material, steel doors and shutters, fireproof plaster board, elevators, paint, metallic doors, architectural bronze, waterproof concretes, garbage closets, ornamental mail chutes, art bronzes for use in buildings, steam boilers and radiators, architectural marble, building stone, heating apparatus, weather vanes, lightning rods, roof slate, sash cords, slag roofing, and water filters.

The Journal of the Western Society of Engineers for April, 1910, contains advertisements of dump cars, hoisting engines, cement, concrete, casting, iron pipe, railroad machinery, tapes and measuring rules, hydraulic tools, building steel, bridge material, steel tanks, pile drivers, surveying instruments, etc.

Instances could be multiplied indefinitely of the value of advertising to the reader. The position of the Post Office Department, that the sole value of advertising is as a source of revenue to the publisher of the journal, is based on an entire misconception of the nature of technical and scientific journals.

## SCIENTIFIC JOURNALS ARE PUBLIC BENEFACTORS.

The organizations affected by the present rulings of the Post Office Department are carrying on many activities of great value to the public, for the successful prosecution of which these journals are necessary. By bringing together in one organization those interested in the development and advancement of the various sciences they contribute largely to progress in scientific and technical matters. Not only do they contribute indirectly to the public good by making progress possible along these lines, but many scientific and technical organizations have taken up, as a part of their activities, semipublic functions carried on by the expenditure of money earned through the journals published by the organizations.

A few examples may be cited. The National Geographic Society, which publishes the National Geographic Magazine, recently appropriated \$7,000 to finance an expedition to survey the Alaskan glaciers, a work which should have been undertaken by the Government. The American Mathematical Society has expended, in the last 15 years, \$39,500 in publishing its journal, while the total returns for the same period from sales, subscription, and advertising have been \$13,500, the remaining \$26,000 having been contributed by the members of the society. This organization includes among its 600 members practically every mathematician of any standing in the country, and its circulation is practically confined to members, to libraries, and to exchanges, with perhaps 200 subscribers who are not members. The society has played a large part in creating all of the great advances which have taken place in this country in the last 20 years. When it was organized, mathematics in the United States were about a hundred years behind Europe. Through the cooperation of the members of this society and the publication of the journal, mathematics in America are now abreast with modern conditions. The standard of scholarship in colleges and universities has been raised, the requirements for courses in the various universities have been standardized and the quality of high-school instruction has been greatly improved. Prof. F. N. Cole, secretary of the American Mathematical Society, says, "Our society embodies American mathematics of the present time. We fill an important public educational function. Any discrimination against us or discouragement of our work would certainly not be an enlightened governmental policy. We have never abused our postal privileges and we feel that we are certainly entitled to consideration."

The American Institute of Mining Engineers, which publishes a bimonthly bulletin, has taken the lead in many important industrial and technical improvements of the last 40 years. Its committee on the waste of anthracite coal took the lead in the investigations which have led to important economies in that department. Its papers on iron and steel are recognized as authoritative throughout the world and it has been a leading factor in developing methods of mining, metallurgy, and manufacture, chemical analysis, economic geology, etc.

The Association of Military Surgeons, which publishes *The Military Surgeon*, is carrying on a work which is of value to the public, as it promotes the various public medical services, including the Army, Navy, Public Health and Marine-Hospital Service, and medical services of the National Guard. The meetings of the association and the publication of the journal are recognized as most important factors in the education of medical officers. Without this association and its journal, medical military officers would be severely handicapped in carrying on their patriotic work for the benefit of their services and of the public.

The value of medical journals published by organizations of physicians is too apparent and too well-known to need elaboration. Each of the State medical associations publishing a journal is devoting a large amount of its time and efforts and a considerable amount of its income to the suppression of tuberculosis, typhoid fever, blindness, impure foods and drugs, as well as to the elevation of the standard of medical education and of the medical profession. The American Medical Association, through its journal and its committees and boards, is doing an enormous amount of unselfish work of value to the public. Through its council on pharmacy and chemistry, maintained by the association, it has been carrying on the same investigations with regard to drugs which the Bureau of Chemistry of the Department of Agriculture has undertaken with regard to foods. Through its council on medical education it has endeavored to elevate and standardize medical education throughout the United States. By means of lectures and public meetings, pamphlets, and exhibits, it is putting before the public the possibility of stamping out or at least controlling such diseases as tuberculosis, typhoid fever, yellow fever, and ophthalmia neonatorum with its consequent blindness.

Journals published by organizations of scientific and professional men, maintained by the contributions of the members and carrying on altruistic enterprises of great value to the public are surely entitled to the same privileges as those given to journals published by private individuals for personal profit. To deny to such organizations

the right to send their publications to members as one of the privileges of membership will seriously hamper and in some cases disrupt the organizations. To deny to journals published by such organizations the right to carry proper advertising will diminish the revenues of the organization and increase the burden on individual members, and in many cases make the continued publication of the journal impossible.

#### SUMMARY.

The professional, technical, scientific, fraternal, and labor organizations of the country ask that the Senate approve the principle of the Dodds bill (H. R. 22239), for the following reasons:

1. The status of journals published by such organizations should be definitely fixed by law and should not be left to the varying decisions of post-office officials.

2. Journals published by scientific and technical organizations have been admitted to second-class privileges for over 30 years and should continue to receive the same rights, unless it can be shown that harm to the public is resulting therefrom.

3. The passage of the proposed bill will not increase the burden on the Post-Office Department nor enlarge the scope of second-class privileges, but will simply confirm conditions which have existed for many years.

4. The present bill reaffirms the real intent of the act of 1894.

5. Members of an organization established to publish a scientific or professional journal, who have paid their dues in full, are bona fide and legitimate subscribers by virtue of their membership and should be recognized as such.

6. The present rulings of the Post Office Department fail to distinguish between organizations in which the journal is an incidental feature of the society and those in which the journal is the chief feature, often the reason for the organization of the society.

7. The passage of this bill will in no sense discriminate against private individuals, but will simply give to organizations the rights now granted to individuals.

8. While no special favors are expected, if any class of publications are favored by the Government it should be those journals published for altruistic and benevolent purposes rather than for private profit. Scientific, benevolent, professional, and philanthropic societies working for the advancement of science are entitled to at least the same privileges in publishing journals as are given to individuals publishing journals for private profit.

9. The advertisements in technical and professional journals are often of as much value to subscribers as the reading matter. Such journals should, therefore, not be deprived of the right to carry advertising.

10. The scientific, technical, fraternal, and labor organizations of the country are carrying on many activities of a semipublic nature and of great value to the people. Journals owned and controlled by these organizations are a necessity in this work and should be encouraged.

For the reasons set forth in the summary, I think the amendment should be adopted, and so advise. Submitting a brief of the National Fraternal Press Association as Exhibit A,

Yours, very respectfully,

R. L. OWEN.

#### EXHIBIT A.—BRIEF OF THE NATIONAL FRATERNAL PRESS ASSOCIATION IN DEFENSE OF ITS PLEA FOR EQUAL JUSTICE.

*To the Congress of the United States of America:*

#### STATEMENT OF FACTS.

There are two acts governing the postal privileges of periodicals, one passed in 1879 and the other in 1894, and are as follows:

#### ACT OF 1879.

SEC. 428. The conditions upon which a publication shall be admitted to the second class are as follows:

First. It must regularly be issued at stated intervals, as frequently as four times a year, and bear a date of issue, and numbered consecutively.

Second. It must be issued from a known office of publication.

Third. It must be formed of printed paper sheets, without board, cloth, leather, or other substantial binding, such as distinguish printed books for preservation from periodical publications.

Fourth. It must be originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry, and having a legitimate list of subscribers: *Provided, however,* That nothing herein contained shall be so construed as to admit to the second-class rate regular publications designed primarily for advertising purposes or for circulation at nominal rates.

ACT OF 1894.

SEC. 429. All periodical publications issued from a known place of publication at stated intervals and as frequently as four times a year, by or under the auspices of a benevolent or fraternal society or order organized under the lodge system and having a bona fide membership of not less than one thousand persons, or by a regularly incorporated institution of learning, or by or under the auspices of a trades union, and all publications of strictly professional, literary, historical, or scientific societies, including the bulletins issued by the State boards of health, shall be admitted to the mails as second-class matter, and the postage thereon shall be the same as on other second-class matter and no more: *Provided further,* That such matter shall be originated and published to further the objects and purposes of such society, order, trades union, or institution of learning, and shall be formed of printed paper sheets, without board, cloth, leather, or other substantial binding, such as distinguish printed books for preservation from periodical publications.

There are, in round numbers, about 200 publications published as the official organs of fraternal societies, many of which were admitted to the mails as second-class matter under the act of 1879, several years before the passage of the act of 1894, and have maintained their entry under that act since that time. Many of the more recent publications have been entered under the act of 1894.

These papers enjoyed the privileges of the mails quite undisturbed until 1903, when the question arose as to their right of entry under the act of 1879. It was claimed by certain ones that they did not have such a "legitimate list of subscribers" as would entitle them to entry under that act; that to have such a list they must have paid subscriptions the same as newspapers are supposed to have. The matter was taken up with Mr. Madden, then Third Assistant Postmaster General, and a ruling was made by that officer to the effect that if the fraternal society would provide in its by-laws for the setting aside of a definite portion of the annual per capita tax or dues of each member, so that each one would be required to pay a certain sum for the paper, with his knowledge and consent, it would be regarded as a reasonable requirement of the law and would entitle them to remain entered under the said law of 1879. Accordingly all of the orders publishing an official organ, adopted by-laws similar to the following, taken from one of the oldest of these societies:

"Each member shall pay an annual per capita tax of \$1.20, of which 10 cents shall be for the payment of a copy of the official organ."

The Modern Woodmen of America adopted such a by-law and, in addition, under the direction of Mr. Madden, required all its new members to sign the following subscription:

"I direct that the official paper, The Modern Woodman, be mailed me at the address given below until I shall notify the head clerk to change the same, and that the subscription price thereof be paid from my yearly per capita tax."

Acting upon this ruling and advice of the Third Assistant Postmaster General and believing the matter settled for good, the Modern Woodman purchased a printing plant at an expense of about \$50,000 or more, and started printing its own paper, expecting that its advertising would assist it in paying the enormous expenses of maintaining such a plant. The purchase of this plant was further desired because there were not adequate facilities at Rock Island for the printing and mailing of the 1,000,000 copies issued each month. It thought that it could give better service to its members and less trouble to the Postal Department by personally handling its own mailing list under its own supervision. Accordingly it sought to change its post office to Rock Island and maintain its former entry and privileges under the act of 1879. However, an interested party made complaint against it to the post office officials, and after a hearing was given it, a ruling was made to the effect that it had no right to be entered under the act of 1879; that Mr. Madden's ruling was wrong; that it would have to reenter under the act of 1894, and that when so entered it would have no right to carry advertising in its columns, as the Assistant Attorney General had ruled that the said act of 1894 did not carry with it such right. (Cir. V., Classification Div.) Mr. Madden's ruling had taken into consideration the said Circular V.



At that time the said Modern Woodman was running certain departments, calculated to be of benefit and interest to its members, such as fashion plates, plans for beautiful homes, and a review of such books as the editor thereof thought might be helpful to the members. The department was asked to rule upon that matter also, and accordingly sent the following letter:

"POST OFFICE DEPARTMENT,  
"THIRD ASSISTANT POSTMASTER GENERAL,  
"Washington, December 28, 1908.

"Mr. F. O. VAN GALDER,  
"Editor, *The Modern Woodman*, Rock Island, Ill.

"DEAR SIR: In reply to your communication of the 21st instant, stating that application had been made for readmission of the Modern Woodman to the second class of mail matter under the act of July 16, 1894, and asking if certain advertisements heretofore carried in the columns of that publication, viz: Books mentioned in column entitled 'Literary Notes;' fashions mentioned in 'Modern Fashion Talks;' plans for beautiful homes; rings and emblems of the society sold by the supply department of the society, are objectionable under the opinion of the Assistant Attorney General for the Post Office Department, dated January 24, 1901, you are advised that the advertisement relating to rings and emblems of the society is the only one which can be regarded as furthering the objects and purposes of the order. (See inclosed copy of Circular V.)

"Respectfully,

"A. L. LAWSHE,  
"Third Assistant Postmaster General."

The last two paragraphs of the department pertaining to "beautiful homes," reads as follows:

"If any of our readers who intend to build will send us a rough sketch of what they want, we would be pleased to work it into shape for them and send them a floor plan drawn to scale without charge.

"Twentieth Century cottages is a book which illustrates a number of views and complete floor plans of modern houses of moderate cost. It will be sent postpaid to any of our readers upon receipt of 25 cents. Address all letters to M. W. of A., Home Building Department, Rock Island, Ill."

No. 176.—A pretty design for a pleasant home.

The illustration with the rest of the article was ruled out of the Modern Woodman. This was one of the departments ruled out by the Post Office Department.

A number of other fraternal papers have been ordered to reenter under the act of 1894, although they have been entered under the act of 1879 for many years and have arranged the conduct of their affairs accordingly.

#### ARGUMENTS FOR THE BILL.

The claims of the proponents of the measure rest upon the broad principle of equal justice for all and discrimination against none.

The Federal Constitution gives Congress the power to establish post roads and post offices and to provide for the carrying of mail as an incident thereto. The discussion of the delegates which framed it and the postal laws which were first enacted all show conclusively that the primary purpose of all this legislation was to promote the public welfare. The only reason why any publication should be carried by the mails is that it is a public benefactor. That principle is the basis for our entire postal system and is fundamental. No publication or periodical of whatever character should be allowed to circulate through the mails which can not stand that classification, and any publication which can stand that classification should be allowed equal privileges with every other and all other publications. The law as it now stands will not permit it, and it should be amended so as to end all unjust discrimination.

Do the fraternal publications come within this classification? They are published in the interest of the orders which they represent.

The objects and purposes of these societies are set forth in the following provisions, taken from the by-laws of one of the oldest of these orders, and similar provisions can be found in all of them. This is one of the societies which has recently been proscribed:

#### OBJECTS OF THE ORDER.

SEC. 2. To unite fraternally all male white persons of sound bodily health and good moral character, who are socially acceptable, between 18 and 70 years of age, and to provide for life and disability benefits to those between the ages of 18 and 51 years.



SEC. 3. To give all moral and material aid in its power to its members and those dependent upon them.

SEC. 4. To educate all its members, socially, morally, and intellectually.

SEC. 5. To relieve sick and disabled members, to care for the living, and bury the dead.

SEC. 6. To establish a benefit fund or funds from which, on satisfactory evidence of the death of a benefit member of the order who has complied with all its lawful requirements, a stipulated amount shall be paid to the beneficiary of such member, or as he shall direct and as the laws of the order shall provide, and to establish a disability benefit fund from which upon the total and permanent disability of a benefit member, in good standing, either as the result of disease, accident, or old age, such sum of money and in such manner as may be fixed in the laws of the order: *Provided*, That the period of life at which the payment of benefits for disability on account of old age shall not be under 70 years.

SEC. 7. To establish a fund for the payment of sick, accident, and funeral benefits.

Can there be any doubt about their promoting the general welfare when they do the things enumerated in the by-laws quoted?

The following is what President Taft said about them, in his letter to the National Fraternal Congress, in session at Put-in-Bay, in August, 1908:

"HOT SPRINGS, VA., August 11, 1908.

"MY DEAR SIR: It is with regret that I decline your renewed invitation to attend the annual meeting of the National Fraternal Congress, for I would like much to offer personally a word of encouragement to those who have in charge the very important interests of the many thousands of members of fraternal associations affiliated in the congress. I realize the power which these associations exercise for the good of the members and their protection in sickness and the protection at their death of those depending upon them. I sincerely hope that the efforts of all may be exerted in perfecting and perpetuating a system by which the two commendable purposes of all such societies may be fully achieved.

"I appreciate the great courtesy of your renewed invitation and am very sorry that circumstances prevent my acceptance.

"Faithfully, yours,

"WM. H. TAFT.

"C. A. GOWER,

"*Secretary National Fraternal Congress,*  
"*Lansing, Mich.*"

If these fraternal societies do all the President says they do, do they not, in a marked degree, "promote the general welfare"? These fraternal papers are necessary to the well-being of these benevolent institutions, and the full "purposes of all such societies" can not be "fully achieved" without them.

There are more than 7,000,000 men and women in this country belonging to these fraternal beneficial orders, representing fully 28,000,000 of interested people, with more than 103,000 subordinate lodges or branches, and carrying fully \$8,000,000,000 of life and accident insurance and disability benefits. They have paid to the widows, orphans, and dependents of deceased members, together with disability benefits to disabled members more than \$1,200,000,000. Some of these orders are supporting, at large expense, great hospitals for the cure of consumption and other dread diseases. Some of them support homes for aged members and helpless children; beds in hospitals for the sick and disabled.

Can there be any doubt about their being public benefactors and among the most worthy of all the benevolent institutions in the whole world? Can there be any sound or wholesome reason why they should be discriminated against in the matter of postal rates and privileges?

#### NONCOMMERCIAL IN CHARACTER.

These orders are noncommercial in character. They are incorporated under the fraternal acts of the several States. No certificates of stock are issued, as they are purely mutual concerns. No dividends are ever declared, for they are run absolutely at cost. They are not profit-making institutions, but wholly benevolent in character. Are not such institutions, at least, entitled to as much consideration at the hands of a government as those concerns which are run absolutely and wholly for profit and gain, to the few persons interested in them?

The fraternal society is an open corporation. Any white person of wholesome character can join them as a social member; and the same thing is true of colored societies. Membership is unrestricted, in this respect, except where self-respect requires it in the interest of morality and decency. Furthermore, "benefit" membership is limited only by certain laws of mortality in addition to those governing social

membership. Thus is membership limited only by such restrictions as are necessary to carry out the patriotic and benevolent purpose of those institutions.

On the other hand, the close corporation, issuing stock to its members, is limited in its membership (1) by the amount of its stock, and (2) by the number of people who are financially able to purchase it. The first purpose of a fraternal corporation is to promote the general welfare, financial gain being a mere incident to its existence. The close commercial corporation is instituted for the direct purpose of making money for its stockholders, the public welfare being a mere incident to its operation. The conditions are completely reversed.

It is not the purpose of this brief to lessen the importance of or belittle the commercial press of the country. Fraternalists believe in the usefulness of the press of the land and respect it highly. But which should be entitled to the first consideration of the Government, the fraternal press whose highest duty it is to promote the general welfare or the commercial press which makes it a mere incident?

But the fraternal press seeks no favors. It simply asks equal rights and privileges, and nothing more. It merely asks the passage of the measure which it offers and which is necessary to protect it against the discrimination which has grown out of the administration of the postal laws on the statutes of the country. Many of the leading newspapers of the land are owned and controlled by close corporations, operated for the profit and gain of the stockholders who own them. Is the stockholder of a close corporation entitled to any rights or privileges which a member of a fraternal corporation is not? If so, why?

#### PASSAGE OF THE BILL NECESSARY TO ESTABLISH JUSTICE.

In attempting to administer the law as it now stands, gross injustice has arisen. This must always be true where fundamental principles are forgotten. If allowed to continue it can only result in bringing the most helpful of all the departments of Government into disfavor.

In explanation of this it may be well to call attention to the fact that the ruling of the Third Assistant Postmaster General, above referred to, was made more than a year ago, and for a whole year some of the most worthy of the fraternal papers have been denied the full privileges of the mails. Yet, upon investigation, it is found that the following-named periodicals are admitted to the full rights of the mails, and have been during all that time, although their circulation is maintained, in substance and in fact, the same as that of the Modern Woodman, which was deprived of its home department as above set forth:

The Journal of the Indiana State Medical Association, Fort Wayne, Ind.; Journal of the South Carolina Medical Association, Florence, S. C.; the Journal of the Medical Society of New Jersey, Orange, N. J.; Iowa Medical Journal, Des Moines, Iowa; the Journal of the Arkansas Medical Society, Little Rock, Ark.; Western Medical Review, Omaha, Nebr.; the Journal of the Oklahoma State Medical Association, Muskogee, Okla.; Kentucky Medical Journal, Bowling Green, Ky.; California State Journal of Medicine, San Francisco, Cal.; the Journal of the American Medical Association, Chicago, Ill.

These facts are not given to injure the publications named, for they are worthy periodicals, but for the sole object of putting an end to a system which, if continued, is sure to bring so beneficent a department as our Post Office into disrepute.

All of these publishers are required to file a copy of each issue of their publications in the Library of Congress, with which the librarian is familiar, and it is not an impossible task to ascertain who are violating the rules and regulations of the department, and thus require universal obedience. The fraternal publications will be satisfied with such requirements.

#### METHODS OF CIRCULATION.

Some arguments have been made against the fraternal publication because its circulation was obtained somewhat differently from that of the average newspaper. The Acting Third Assistant Postmaster General, in a letter written to Congressman Lever, concerning the South Carolina Pythian, used the following language:

"It is manifestly an injustice to publishers competing in the same or similar field and having papers which would be patronized by the members of an organization, to be compelled to secure and maintain a list of subscribers based on the drawing power of the paper as such, whereas the competing organization papers' list of subscribers is composed of members who were drafted in under a by-law of the organization and receive the paper as one of the benefits of membership, and not on account of voluntary subscription. Publishers of other papers have entered complaints asserting that people will not pay for that which they can receive free."

In reply to this statement we would ask to whom is it "manifestly an injustice" that fraternal beneficial societies, organized, not for profit and gain, but to protect the widow and orphan and care for those dependent members who are overtaken by misfortune, whose first duty is to promote the general welfare of the country, should have the same and equal privilege as those close corporations, owning and publishing newspapers, not for the benefit of widows and orphans nor to promote the general welfare, except as a mere incident, but for the personal profit and gain of the few stockholders who own them? To whom is it "manifestly an injustice"?

Again, we believe the Acting Third Assistant Postmaster General is mistaken in his statement that the members of fraternal societies are "drafted" into those organizations. No institution on the face of the earth is more free from coercion or "draft." The act of joining one of these orders is absolutely voluntary. How could it be otherwise? Furthermore, there is unrestricted competition in this field. There are more than 200 of these benevolent orders in the United States. Can not a man find a free choice among that number? They all publish by-laws and a copy is given to every member, so that he may know just what his obligations and benefits are. To him it is all an open book, and we challenge the assertion that anybody is "drafted" into these orders. The fraternal paper is paid for out of each annual contribution to the society, a fact known to all members when they join.

Compare this method of obtaining a circulation with that employed by some newspapers and it will not be found to the disadvantage of the fraternal publication. We say this without desire to injure in any way whatsoever the newspaper. Discrimination has compelled us to issue a statement of facts in our own defense.

To be specific, we quote the following from The Pittsburg Leader, of Pittsburg, Pa., of January 8, 1910, first page:

SUNDAY COUPON GIVES TEN VOTES—PURCHASE OF COUPONS IN BULK WILL NOT BE PERMITTED—A CHANCE FOR ALL.

Ten votes will be represented by the coupon to be printed in the Sunday Leader to-morrow for the free trip to the Jeffries-Johnson fight offered by the Leader. The coupon will be printed on page 2 to-morrow and, as previously announced, all Sunday coupons will be good for 10 votes.

Save your coupons and have your friends save for you, but pay particular attention to the fact that coupons purchased in bulk from news agents or newsdealers will be thrown out. Under no circumstances will such coupons be counted.

Is not a membership in a fraternal order as legitimate a way to obtain a circulation to a periodical as a trip to a prize fight? Is the free choice of joining a benevolent society any more of a "draft" than an offer of a ticket to a prize fight, 3,000 miles away, between a white man and a colored man, in which there is a prize of \$100,000 going to the one who shall knock the other senseless for the period of 10 seconds? To whom is benevolent competition "manifestly an injustice"?

This is not an unfair comparison, for every sort of scheme is resorted to by some newspapers to increase and maintain their circulation from a trip to a prize fight to a cheap chromo.

The benevolent orders have never taken, and do not now take the position that such competition is "manifestly an injustice." They can take care of the widow and orphan in spite of it. All they ask is an equal opportunity with all competitors in so doing.

In answer to the last proposition, that "people will not pay for that which they can receive free," we would say that it appears to us that the public mail service should not be commercialized and left with any individual to say who shall make money out of it and who shall not. The fraternal paper is not furnished "free" to the members, for that would imply a gift. Who gives a paper to a member? The facts are each member pays for his own paper the same cost as all other members, the actual cost price of the same. What law, either of public policy or of the statute, does that violate? What basis is there for the statement that because a mutual society can and does furnish a thing to its members at cost, it is therefore "free"? Must the right to use the public mails depend upon the principle of profit and gain? Should a man be allowed to use the mails because he is a member of a close corporation and makes money out of it, and at the same time his neighbor denied the right because he is a member of a benevolent corporation and does not make money out of it? Is our postal system to be hereafter constructed and operated along that line? We trust not.

In this connection, and right here, we wish to and do call the attention of the Members of Congress to a single comparison which should serve as an illustration of the injustice of the situation. We have asked the Ladies of the Maccabees of the World

to mail a copy of their official organ, The Ladies' Review, to every Member of Congress, and we respectfully request each one to compare the same with the Police Gazette, which may be found in nearly every shop and news stand, for the purpose of judging, if needed, which of the two conduces most to the public welfare. The Police Gazette has the full privilege of the mail service, while the Ladies' Review is liable to be excluded from the mails at any time the ruling of the Post Office Department is applied to it, or compelled to lose its privileges under the act of 1879.

#### THE QUESTION OF THE VOLUME OF ADVERTISING AND THE HAUL.

As to the question of the volume of advertising carried, we hold that there is less of it in the fraternal paper, in proportion to its size, than in the newspapers. Take any issue of the fraternal papers and it will serve equally well. Those that have not yet been refused the right to carry advertising will show that not more than one-sixth of their space is devoted to advertising. A large part of them carry no advertising at all except their "home departments." Their advertising is of the "mail-order" character, which stimulates letter writing on first-class mail business and is a large profit to the postal department. So far as cost to the mail service is concerned, it will be found a benefit instead of a deficit.

But the hurtful feature of this situation is, that it not only deprives the fraternal paper of the right to carry advertising in its columns, to aid in lessening its expenses to the order, but it deprives it of the right to maintain its home department and to use its columns freely to do such work as it desires to assist its members individually. Many times a member in hard circumstances desires to sell his farm or other property. It is desirable to insert an advertisement in the columns of the official paper to assist him. Under the ruling of the Post Office Department, as the law now stands, a fraternal paper would render itself liable to be refused admission to the mails for doing so charitable an act.

The fraternal press wants the freedom enjoyed by the commercial press, that it may work out its mission of benevolence and charity.

A newspaper is a public intelligencer, and because of that fact it seeks and uses the mails. It is simply one method of promoting the public welfare. As such they are entitled to the highest consideration. But are they any more entitled to consideration than another periodical which is also a public intelligencer, and in addition promotes the broadest benevolence and protects and cares for masses of people who would otherwise become public charges to be supported at the public's expense?

#### AS TO THE HAUL.

We are ready to prove by statistical evidence that for every paper published by a fraternal society, we will find two others with as long if not a longer haul.

#### CLOSING ARGUMENT.

We ask for the passage of our bill as introduced because we feel that we are entitled to some established status. For years we have been left in uncertainty and doubt. One administration has ruled us in and another has ruled us out. We do not want it left to the conflicting opinions of successive officials. We are convinced that it is as embarrassing to Post Office officials as it is to us, and that it will be mutually helpful to have the question settled by congressional enactment; and while we feel that we are doing, as benevolent organizations, the highest possible good to our country, we do not ask for special consideration. We are willing to pay our part of the postal deficit, whatever that may be, and ask only for a general law which will treat all alike. If we are compelled to pay an equal tax we feel that we are entitled to equal privileges under the law. In other words, it savors of class legislation to give a privilege to one public benefactor and deny it to another who is taxed the same for it. We are at peace with all publications; wish them success in every way and only ask for ourselves equal opportunity.

STEPHEN D. WILLIAMS,  
*Chairman Special Committee National Fraternal Press Association.*



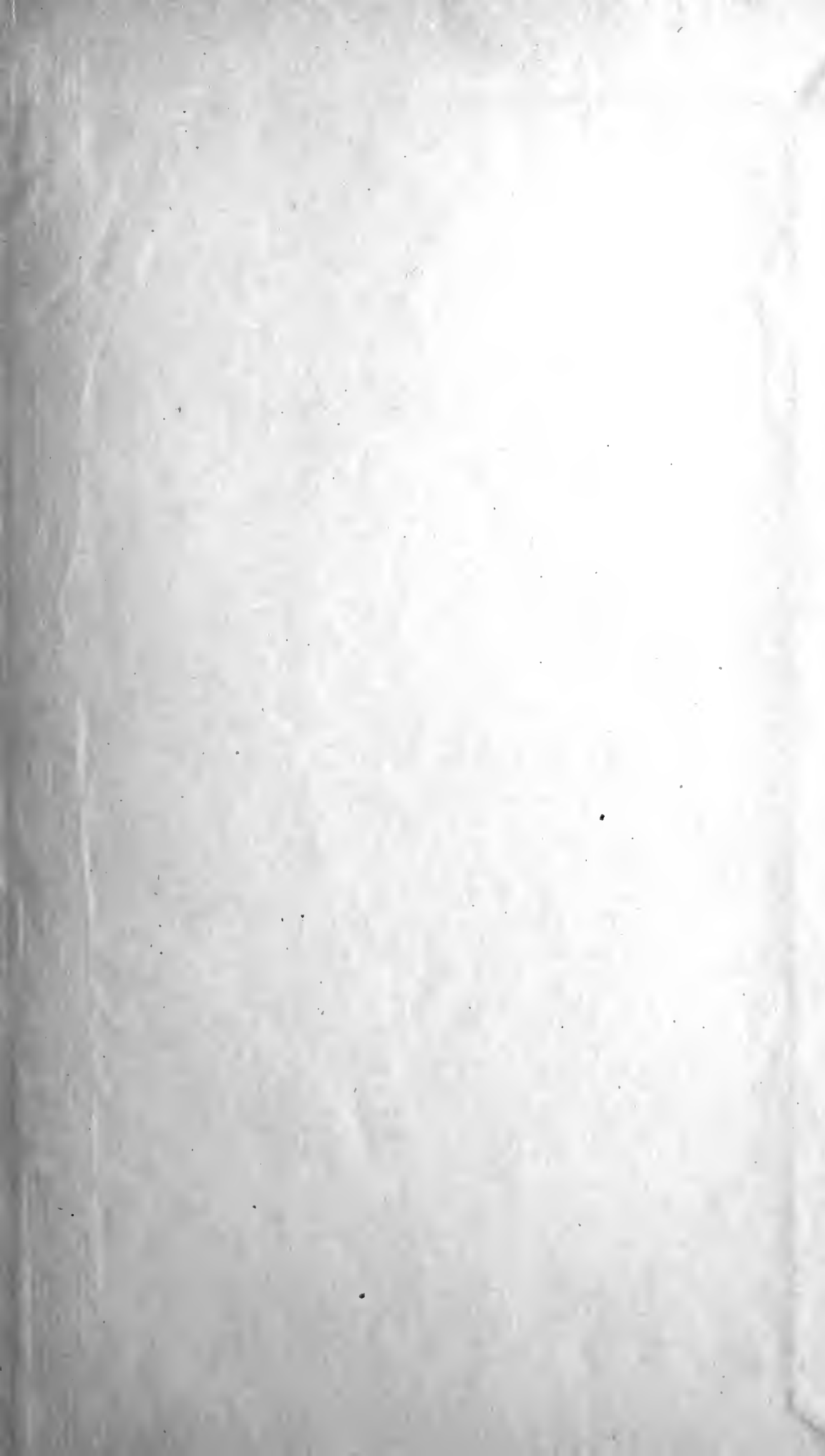












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